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From a drawing by Joseph Pennell.

EXTERIOR OF THE STOCK EXCHANGE IN BROAD STREET.

THE STORY

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STOCK EXCHANGE

ITS HISTORY AND POSITION

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BY

CHARLES DUGUID

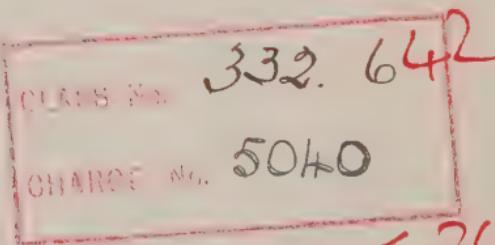
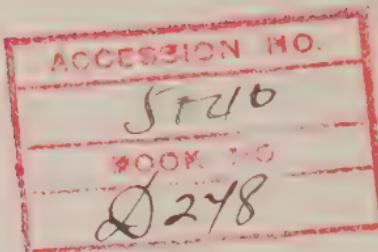
WITH ILLUSTRATIONS

BY JOSEPH PENNELL AND DUDLEY HARDY

London

GRANT RICHARDS

1901



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PREFACE

IN relating this, the Story of the Stock Exchange, on the occasion of the centenary of the laying of the foundation-stone of its present home, it is the pleasant duty of the narrator to express his deep indebtedness to those members and officials of the Institution, besides others, who, themselves keenly interested in the subject, have rendered him much kindly aid, by placing at his disposal data, documentary and reminiscent, of the utmost value, with which to supplement the result of his own research.

It must not be assumed, however, that the Story may be regarded as anything in the nature of an official record of the history of the Stock Exchange; the narration has been neither aided nor trammelled by official inspiration.

It is based upon the contribution, tracing the history of the House, which the narrator was invited to make to the Stock Exchange Souvenir, a sumptuously-produced work of

strictly limited circulation, compiled by Mr. W. Eden Hooper, and published by Messrs. Spottiswoode & Co., at the end of the century. It was thought by generous critics that this historical contribution to the Souvenir might be worthy of a wider publicity; and accordingly, revised, popularised, and brought up to date, it has been developed into the Story of the Stock Exchange now presented.

It is deferentially submitted that the book appeals not only to those who take interest in finance, both historical and practical; not only to those who take interest in the growth, traditions, and status of our important institutions; but also to those who take interest in a true fascinating story, told, even if only indifferently, for the first time.

C. D.

PARK LODGE, NEW BARNET, HERTS,
May 1901.

PUBL
SWAND

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CHAPTER I

THE ROYAL EXCHANGE AS THE STOCK EXCHANGE

Introductory—Bird's-eye view of the domiciles of the Stock Exchange—The broceur or the bogger of 1376—The stocks market of 1410 and the security of the stocks—Bonds of the Merry Monarch—The poet Pope's family investment—The germs of speculation and the outburst of 1692—The financial newspaper of the day explains time bargains—First issue of Government Stock and beginning of the National Debt—Plan of the Royal Exchange as the Stock Exchange—Scenes in the interior—Tontine at the time—Some companies at the end of the seventeenth century—A gamble in guineas—An act to check stock-jobbing in 1697—The Lord Mayor's yoke on the brokers—The silver badge of the profession—Exodus of the Stock Exchange from the Royal Exchange.

CONCEIVED in a coffee-house and born with the nineteenth century: thus tersely might the genesis of the Stock Exchange, as we know it, be described. But it would not suffice to begin even an attempt at a sketch-history of the great institution—the mart of the world, the nerve-centre of the politics and finances of its nations, the barometer of their prosperity and adversity—at a point where it had attained all the ad-

vantages of firm establishment and sound constitution. Something must be told of the chrysalis stage out of which the Stock Exchange was evolved into the state in which it has now flourished for a hundred years. If as an institution, and one of the most important institutions in the world, the Stock Exchange as an entity is just completing a century's career of phenomenal development, expansion, and prosperity, it was only after an apprenticeship of more than a century that it commenced that career—an apprenticeship served first in the old Royal Exchange at the end of the seventeenth century ; then in the Coffee Houses of Change Alley throughout three-quarters of the eighteenth century, and in the Rotunda of the Bank of England ; and then during the last quarter of the eighteenth century in a house which it could at last call its own, at the corner of Sweeting's Rents and Threadneedle Street. It was not until 1801 that the foundation-stone in Capel Court was laid.

Broadly speaking, then, the exchange of stocks commenced a couple of hundred years ago, at the end of the seventeenth century. There were brokers and brokerage, it is true, at least as early as the glorious reign of the third Edward, but at that time even the official rendering of the mere description of the calling was uncertain. A Parliament held by that monarch in 1376 ordained that "No stranger-merchant, nor other stranger, shall use or exercise the occupation of 'brocage' between

merchant and merchant, or other persons, nor be a 'broceur' within the City of London or its suburbs"; and twelve years afterward we find, in an Act of the second Richard, that the description "broceur" had been altered to "brogger." This Act of anti-alienism seems, by the way, to have fallen into some disregard, for in 1442 we find a band of brokers petitioning Parliament for its more strict enforcement. They deemed their profession overrun, the competition too fierce, although their number could have been told on the fingers and toes. More than a hundred years later, at the beginning of the last quarter of the sixteenth century, there were only thirty brokers in the City of London. Now, the mercantile brokers are innumerable,—look at the list in the London Directory,—and the number of members of the Stock Exchange alone is now nearly five thousand. These thirty brokers were under the licence and the nominal control of the Lord Mayor and Aldermen: that yoke which lasted until the beginning of the third quarter of the nineteenth century, when, after a struggle which forms an important feature of their history, the brokers of the Stock Exchange succeeded in shaking it off.

Those broceurs or broggers of the fourteenth, fifteenth, and sixteenth centuries were not brokers of the Stock Exchange, needless to say; they were mercantile brokers. The stock-brokers first appeared at the end of the seventeenth century. It is true that as early as the

year 1410 a Stocks Market was established on the site where the Mansion House and adjacent buildings now stand, and this was the great market of the City for three or four centuries, but the class of security from which it took its name has long been obsolete. The dread stocks, to afford security from offenders and their public punishment, were erected as early as the year 1281, and survived all the other stocks of a similar nature in London. In the Stocks Market they dealt not in stocks but in market produce. Seek how we will, it is impossible to find any regular investment or speculative dealing until the reign of William III., although the bonds of Charles II., twenty or thirty years previously, seem to have been hawked about the streets, especially at church doors, and sold to the highest bidders.

But in the reign of William III. the germs of speculation were sown. It was the demand for channels of investment that created the supply. The public sought some one to employ for it its surplus savings, before the first company promoter floated his first ingenious scheme and before the Government decided to borrow of its people. The need for investment was urgent. The father of Pope, the poet, at the time of the Revolution which placed William III. on the throne, carried to a country retreat a box containing an uninvested hoard of twenty thousand pounds. But a stockjobber had been heard of in London during the Interregnum, and by the year 1692 there was a crowd of

public companies, with the East India Company as its nucleus. Nay, there was even a financial paper, the *Collection for the Improvement of Husbandry and Trade*, which gave a weekly history of commercial and financial speculation ; and in its issue of 13th July 1694 it was actually referring to time bargains—time bargains, beloved of the speculator, who undertakes to pay for what he has bought at the end of a certain period, with no intention of ever receiving it or paying for it ; if the price has fallen when settling day arrives, he pays the difference to the seller, if the price has risen the seller pays the difference to him. A speculative mania, the first in the history of the country, had sprung up, which on a limited scale foreshadowed those which were to convulse the country in 1720, in 1825, and in 1845. By the year 1693 a play had been written satirising stockjobbers and their ways ; and there was plenty of scope, for a stockjobber at that time was a financier, a promoter, and a broker as well ; to-day the callings are distinct. The first investor was eager to part with his money ; and the Government of the day, seeing it flowing into all kinds of concerns, determined to divert part of the flux into its own coffers. The French Government had forestalled it by a long time, for during the Seven Years' War, which ended in 1679, our financiers had been supplying it with funds. Of course, there was no real public subscription for these loans ; the first Government loan which filtered into

the hands of the investor was an English Government loan. On 20th January 1693, the first Loan Bill was read a third time, and this country had launched into that National Debt which was for ever after to provide a means of investment for the public and business for the stockbroker. The loan was duly contracted with a certain new institution, the Bank of England to wit. Fifteen years later, in the reign of Queen Anne, another loan was raised, bringing the total debt up to over five millions sterling; and by the year 1717 the funded debt of the country was nearly $43\frac{1}{2}$ millions sterling. It is now 700 millions sterling.

Kings and Governments had borrowed before; a loan from the City to Queen Elizabeth had been arranged by Sir Thomas Gresham; but it remained for William III. to thus inaugurate a funded national debt, a debt which should remain for a long term of years, upon which interest should be regularly paid. It was not that he instituted a system of borrowing—the earlier Stuarts with their forced loans had accomplished that quite effectively; what William III. instituted was a system of regular repayment. Few who could possibly avoid it would have lent to the Government in the time of a Charles; in the reign of William and Mary the national Funds became a recognised investment, although without the stability since attained. It is a little difficult to conceive that at this time, only two hundred years ago, our

Funds were as insecure as is the debt of a South American republic at the present day. The revenue was constantly falling short of the National Debt charges, and the default of the Government always seemed possible. England's financial extremity was the usurer's opportunity; and usury became so profitable that citizens showed a tendency to adopt it as a profession. They left their workshops and their offices, and, calling themselves stockbrokers or stockjobbers, became financiers of the usurious type. The worse the national credit, the more uncertain the ability of the Government to meet its engagements, the more remunerative became their profession either as lenders or as dealers. All feeling of patriotism was subjugated to considerations of speculation, and the terms stockbroker and stockjobber soon became terms of obloquy.

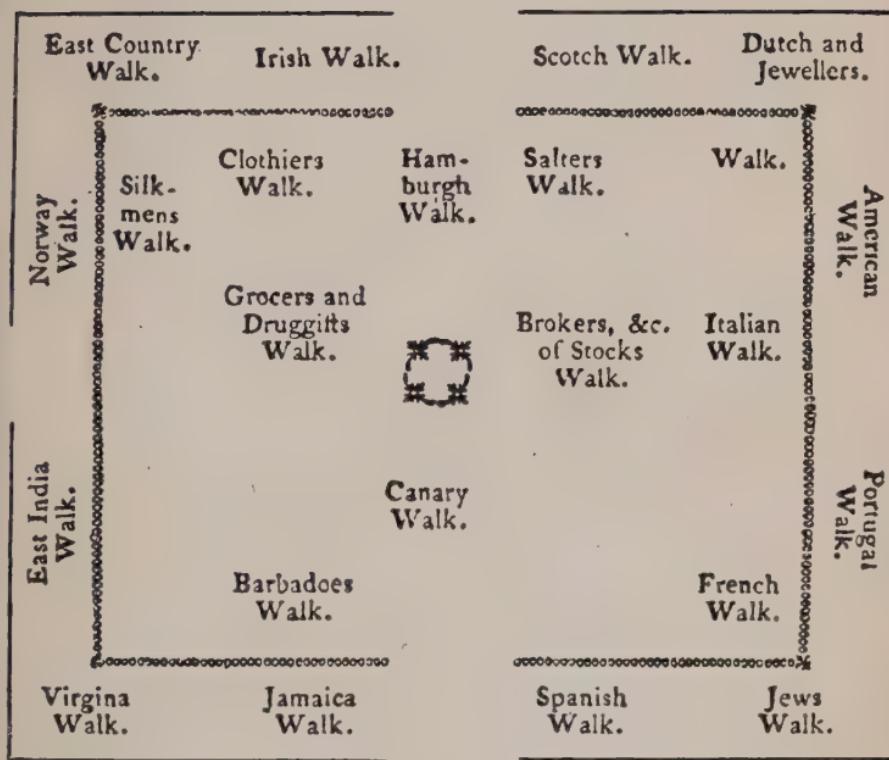
It was in the Royal Exchange that dealings in stocks and shares were transacted at first, although only for a short period; for just as at the beginning of the nineteenth century the stockbrokers migrated to Capel Court, so at the beginning of the eighteenth century they migrated to Change Alley. But for a few years at the end of the seventeenth century the Royal Exchange was the first Stock Exchange.

There have been three Royal Exchanges; the present is the third. Even the original building, provided through the munificence of Sir Thomas Gresham and opened in 1567, was called The Bourse. It was not until three

years later that it was renamed The Royal Exchange, on the occasion of the visit of Queen Elizabeth. A fresco representing the ceremony has recently been unveiled, 330 years later, on the walls of the third Royal Exchange. This first building was totally destroyed in the Great Fire of London in 1666, and in the following year Charles II. laid the foundation-stone of the second Royal Exchange, which was subsequently to be used as the Stock Exchange, stockbrokers congregating with merchants. It was expected that the Merry Monarch would perform the opening ceremony, but it was opened on 28th September 1669 by the Lord Mayor, Sir William Turner. Within the quadrangle there was a spacious area, measuring 144 ft. by 117 ft., surrounded by a wide arcade, which, as well as the area itself, was, for general accommodation, arranged into several distinct parts, called Walks, where English and foreign merchants, and other persons engaged in commercial pursuits, as well as stockbrokers, daily met. Here is given a plan of the interior taken from an old work, *The Microcosm of London*.

The area was paved with real Turkish stones, of small size, the gift, as tradition reports, of a merchant who traded with Turkey. In the centre, on a pedestal surrounded with an iron railing, was a statue of Charles II., in a Roman habit, even as a statue of Queen Victoria stands in the centre to-day. It was adjoining this statue, on its

NORTH.
Threadneedle Street.



From an old print.

SOUTH.
Cornhill.

PLAN OF INTERIOR OF ROYAL EXCHANGE, SHOWING BROKERS' WALK.

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east side, that the stockbrokers took up their stand, or rather walk, as it was called. The frontage of the Royal Exchange faced south then, not west as it does to-day. Amongst much statuary was a presentment of Sir John Barnard, which was placed there whilst he was yet living, at the expense of his fellow-citizens, in testimony of his merit as a merchant, a magistrate, and a faithful representative of the City in Parliament. Of Sir John Barnard, his financial schemes, and his Act against stockbrokers, we shall learn something anon. It is said that he refused ever to enter the Royal Exchange again after the erection of his statue.

We are told that the stockbrokers caused the walls of this Royal Exchange to resound with the din of new projects, and that no more striking scene could be conceived than that presented in the handsome area. “The grave Fleming might be seen making a bargain with the earnest Venetian. The representatives of firms from every civilised nation—the Frenchman with his vivacious tones, the Spaniard with his dignified bearing, the Italian with his melodious tongue—might be seen in all the variety of national costume; and the flowing garb of the Turk, the fur-trimmed coat of the Fleming, the long robe of the Venetian, the short cloak of the Englishman, were sufficiently striking to attract the eye of the painter to a scene so varied. There, too, the sober manner of the citizen formed a strong contrast to the

courtier who came to refill his empty purse ; and there, also, might be seen the broken-down merchant, pale, haggard, and threadbare, haunting the scene of his former glory, passing his now valueless time among those who scarcely acknowledged his presence." Merchandise of all kinds appears to have formed the chief pabulum of speculation amongst this picturesque motley crew, but there were securities as well, Government securities and other securities.

William III. had borrowed by means of annuities granted for life or for long or short periods, and these were freely dealt in ; he had borrowed by lottery, and there were the tickets to buy and sell ; and he had borrowed by tontine. The curious idea of the tontine loan came from Paris, where it was introduced by Lorenzo Tonti, of Naples. Each subscriber to the tontine loan was granted by the Government, which of course took the proceeds of the loan, an annuity to be enjoyed during his lifetime. When he died his annuity did not lapse but was divided amongst the surviving subscribers. As time went on, of course the whole of the annuities became the property of very few surviving subscribers, and he who was fortunate enough to survive all his fellow-subscribers enjoyed the continuance of the whole of their annuities. When this last survivor died the liability of the Government ceased. It can easily be imagined how fruitful a source of speculation was dealing in these

tontine shares, whose value was exactly as uncertain as life itself.

Then there were Seamen's Tickets in which to deal, another national security of which there will be something to say; there was Bank stock; and, above all, East India stock, the first East India Company having been formed as early as 1599. There were also the shares of various companies, shares which were called actions, even as they are called actions on the Paris Bourse now. There were free dealings in the shares of the Blyth Coal Company, the Sea Diving Company, Pointz's Dredger Engine Company, Lofting's Fire Engine Company, the Greenland Fishing Company, the Glass and Glass Bottle Company, the Lutestring Company, the Sword Blades Company—formed to manufacture the article hitherto made in Germany; and there were the shares of the Hudson's Bay Company and of the New River Company, which are now, two hundred years after, still well known. There was also Africa stock, but this did not represent the capital of the present Chartered Company.

There were many others, yet the stock-jobbers, not content, organised a gamble in guineas. This operation can best be described in the words of the *Flying Post*, in one of its issues of 1695: "A number of stockjobbers," it says, "appeared at the Exchange with the offer of any number of guineas, not exceeding 1,000, at the price of 27s. each. This did not a little damp and lower the current price; but a

merchant, taking one of these stockjobbers at his price, and demanding where the guineas were deposited, he could produce no more than two single guineas in his pocket, which was looked upon as a plain indication of their sinister design; upon which he was cudgelled from among the merchants, and left to be buffeted by the mob. Yet this did not deter others from practising the like; for another of the gang did proffer guineas a shilling cheaper, but was soon beaten off the Exchange, in the swift pursuit made after him by the mob, who drew him out of the sanctuary of a neighbouring tavern, and haled him to the Lord Mayor's; but his lordship not being at home, they threatened to do justice on him themselves, by cooling his violent humour of avarice with the watery element of a neighbouring pump. Upon the discovery of this fallacy of the stockjobbers, guineas began to advance to their customary price."

It was doubtless dealing of this character which contributed to drastic legislation, as early as 1697, to check stockjobbing and to put a brake upon the speculative mania which had broken out for the first time in the history of the country. In that year was passed an Act of Parliament, 8 and 9 William III. c. 32, containing most important regulations. Its preamble declared that brokers and stockjobbers had lately set up and carried on most unjust practices in selling and discounting tallies, Bank stock, Bank bills, shares and interest on joint

stock and other matters. It further declared that brokers and stockjobbers were in the habit of unlawfully combining to raise or lower the value of such securities for their own private advantage.

On the ground that their number had very much increased during the few preceding years and that they were daily multiplying, several provisions were enacted to come into force in May 1697. In the first place, the Act was most minatory against any one acting as a broker without the licence of the Lord Mayor and the Court of Aldermen of the City of London. The outside broker, the bane of the Stock Exchange at the present day, had already sprung up. To show that he was licensed the authorised broker was compelled to carry on his person a silver medal or token, with his name duly inscribed, bearing on the observe side the Royal Coat of Arms, and on the reverse side the Arms of the City of London. This token had to be produced on the completion of every bargain, or the sum of forty shillings forfeited. The number of these licensed brokers was limited to one hundred, and the licence fee was forty shillings. Their names had to be displayed on the Royal Exchange, in the Guildhall, and at other public places in the City. The brokers were forbidden to receive more than ten shillings per cent for brokerage, under a penalty of twenty times that amount for each offence; nowadays they may receive as much as competition and custom

amongst themselves allows, which is usually half-a-crown per cent in the case of dealings in the Funds and about 25s. per cent in the case of dealings in mining shares, but there is no fixed charge and rates vary widely. They were compelled to keep books in which every contract had to be entered. Penalties for contravening this Act were heavy. To deal as a broker without the necessary licence was to render oneself liable to a penalty of £500, and persons employing an unlicensed broker were subject to a penalty of £50. Any one who was not a sworn broker and who acted as such was liable not only to a fine of £500 but to be sentenced for every offence to stand three times in the pillory! The penalty for omission to make the proper entry of contracts in the stipulated books was £50 for each offence. Brokers were, moreover, forbidden to deal on their own account under penalty of permanent forfeiture of their licences and a fine of £200. In order to deal in Government Funds they had to be licensed by any three of the Lords of the Treasury under penalty of £500. The Act applied to stockbrokers proper; not to those dealing in coal, corn, or other merchandise. It was originally passed for three years, but it was extended for another seven. When it expired in 1707, in the reign of Queen Anne, there was a strong agitation for its renewal, but the petitioners failed. All they could achieve was the imposition of a tax on brokers of forty shillings per annum, payable to the City of

London, and to legalise this a new Act was brought in and carried. The smouldering agitation burst into flame again four years later, with the result that a Committee of the House of Commons was appointed to consider the whole matter. It recommended the revival of the Act of 1697, and a Bill was actually brought in and read a second time, but it was never passed. Soon afterwards, however, the limit of the charge for brokerage, fixed in the Act of 1697 at ten shillings, was reduced to 2s. 9d. The Act itself, after remaining inoperative for so long, was finally repealed in 1867 by the Statute Law Revision, 30 and 31 Vict. c. 59.

But this drastic Act of 1697 was not the full tale of the sufferings of the members of the Stock Exchange of the time. Of course they were not then entitled to that designation. As a body they were without a name, and the new disaster left them without a local habitation. They were driven from home. While the Legislature was harassing the new business of stockdealing in general because of the nefarious practices of the tatterdemalion vagabond element, the merchants of the Royal Exchange were, in a similar way, objecting to the presence of the Stock Exchange in the Royal Exchange. The numbers of the stockdealers had grown immensely and the limits of the building were becoming inconveniently crowded. It is true, as we have seen, that the dealers in stocks and shares were allotted their own walk, as were the merchants in their different branches of

commerce. The Royal Exchange was divided into markets as is the Stock Exchange to-day. But the dealers overflowed into the preserves of the merchants, who objected to the noise and the hustling and the false reports. The merchants were as interested in the rumours of the loss of a ship laden with jewels and gold from the East as were the stockdealers in rumours relating to political events, and there is little to show that they were not equally responsible for the false news that was habitually put about with the utmost effrontery in those days, when the sources of information were few. But with a fine hypocrisy they charged the stockbrokers with abusing the objects of the Royal Exchange ; their gambling was a scandal which undermined the morals of the nation ; they tempted the public to ruin ; their presence in the Royal Exchange was a pollution. The agitation against the stock-dealers, always annoying, became unbearable ; besides, they could themselves see that their numbers, expanding rapidly, had become too great for the confines of the Royal Exchange. And so eventually, worried by the Gresham Committee, they voluntarily withdrew. It was in 1698 that the great exodus occurred, and Exchange Alley was the natural place of refuge — Change Alley close by, with its considerable unoccupied space and its convenient coffee-houses. That the withdrawal was more or less voluntary cannot be doubted ; the stockjobbers could easily have kept their ground had they

cared to put up with petty annoyance ; indeed, the authority of the City of London itself was exercised against the change. Every effort was made to keep the brokers at the Royal Exchange, even to the extent of introducing a penal clause against transacting business in the Alley into the bond by which the City authorities bound every broker. But the penalisation of Change Alley was useless ; the provision in the bond was a dead letter from the first. Dealings in foreign stocks were continued in the Royal Exchange for many years afterwards, but its career as the Stock Exchange may be said to have ended with the seventeenth century. Then and thenceforth common places of assemblage for brokers were Change Alley, South Sea House, the offices of the East India Company, and the offices of the Hudson's Bay Company. But the greatest of these was Change Alley. The second Royal Exchange was in 1838 utterly destroyed by fire, as, we shall see, were some of the subsequent haunts of the stockbrokers.

CHAPTER II

IN CHANGE ALLEY

Obloquy poured on stockjobbers—The topography of Change Alley—Traits of brokers and their business—The origin of Bull and Bear—The first foreign loan in 1706—Speculations of Dean Swift—Bank stock as a gambling counter—A scurvy affair in lottery tickets—Queen Anne is dead—A Pretender hoax—The news service of Change Alley—The genesis of the “Official List”—Sir Robert Walpole and the Stock Exchange—Proposal to abolish stockjobbing.

AFTER their exodus from the Royal Exchange the stockdealers spent no time in wandering. Exchange Alley was at hand, it provided convenient open space, it was more or less secluded, it was near the Bank of England, it afforded shelter from inclement weather in its various coffee-houses. All this is shown in the plan reproduced from an interesting old print commemorating the great fire which devastated the Alley in the middle of the eighteenth century. Thus it was that at the beginning of that century Change Alley became the resort of the dealer in stocks and shares. Your investor and your speculator would talk of Change Alley or of the Alley then as he would talk of the Stock

Exchange or of the House now. But despite his change of venue and his repression by the stringent Act of 1698, the stockbroker still had to bow his head beneath a torrent of obloquy, though as he bowed his head he flourished. For instance, in 1701 a work was published with the playful little title of *The Villainy of Stock Jobbers Detected*. Again, not many years later, in 1719, appeared a rabid work entitled *The Anatomy of Exchange Alley; or, A System of Stock Jobbing. Proving that scandalous trade, as it is now carried on, to be knavish in its private practice and treason in its public*. The writer was described as a jobber, but it was Defoe. It is possible to forgive him his abuse, his exaggerations, his banalities and his scurrilous personalities, not only because they undoubtedly had some justification in those days, but also because of the neat quaintness with which he describes the topography of Change Alley as it was in his day :

“ But it is needful, after having said thus much of the Crime, to say something of the Place, and then a little of the Persons too ; The centre of the Jobbing is in the *Kingdom of Exchange Alley*, and its Adjacencies ; the Limits are easily surrounded in about a minute and a half (viz.) stepping out of *Jonathan’s* into the Alley, you turn your Face full *South*, moving on a few Paces, and then turning Due *East*, you advance to *Garraway’s* ; from thence going out at the other Door, you go on still *East* into *Birchin-Lane*, and then halting a little at the *Sword-*

Blade Bank to do some Mischief in fervent Words, you immediately face to the *North*, enter *Cornhill*, visit two or three petty Provinces there in your way *West*: And thus having Box'd your Compass, and sail'd round the whole Stock-jobbing Globe, you turn into Jonathan's again; and so, as most of the great Follies of Life oblige us to do, you end just where you began."

With the aid of the plan it is easy to follow our philosophic guide and obtain a perfect idea of Change Alley. Jonathan's and Garraway's which he mentions were the two chief coffee-house resorts of stockbrokers, especially Jonathan's, whose name soon became as synonymous with the present term Stock Exchange or House as did the name of The Alley or Change Alley. Mrs. Centlivre, the lady dramatist, introduced this coffee-house into a scene of her play *A Bold Stroke for a Wife*, which made its first appearance in 1717; under circumstances proving the coffee-house to have been an established mart at that period. She introduces a stockbroker, who, upon seeing two gentlemen enter Jonathan's coffee-house, says to his brethren: "I would fain bite that spark in the brown coat; he comes very often into the Alley, and never employs a broker." Beyond throwing a light on the status of Jonathan's the quotation absolutely suffuses with effulgence one phase of the business transacted in the open market of Change Alley; people had the impudent temerity to go and

CORNHILL



“THE KINGDOM OF CHANGE ALLEY.”

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deal for themselves instead of paying a commission to a broker to go and deal for them. If another play of the period might be quoted in order to present a trait of Change Alley reputation, it would be that in which a gallant colonel charged with drinking punch in the morning excuses himself by pointing out that most of the stockjobbers did so, "for they are fit for nothing till their brains are a little addled." We know that it was at Garraway's, which was not finally closed until 1866, that tea was first sold in this country — he recommended it for all disorders, at sixteen to fifty shillings a pound; and there is other evidence that the coffee-houses which figure so prominently in Stock Exchange history did not confine themselves strictly to the dispensation of coffee.

Already, thus early, the term Bull and the term Bear had come into use. To quote yet more plays of the period, we find C. Johnson, in his *Country Lasses*, saying in 1714, "You deal in Bears and Bulls." By the time of the South Sea Bubble, six years later, the terms were in full swing. In 1720 Cibber's *The Refusal; or, the Ladies' Philosophy*, contained this little bit of dialogue :

GRANGER: "And all this out of Change Alley?"

WITLING: "Every shilling, Sir; all out of Stocks, Tuts, Bulls, Rams, Bears, and Bubbles."

And again in the same play: "There" (in Change Alley) "you'll see a Duke dangling

after a Director ; here a Peer and a Prentice haggling for an eighth ; there a Jew and a Parson making up differences ; here a young woman of quality buying Bears of a Quaker ; and there an old one selling refusals to a lieutenant of the Grenadiers." In 1719 Defoe explained that "those who buy Exchange Alley bargains are styled buyers of bear-skins." Many authorities have puzzled their brains over the real origin of the term Bear, which of course means one who having sold stock without possessing it, because he thinks the price too high, desires it to fall that he may buy it more cheaply and thus make his profit. Some have declared that the word Bear was a corruption implying that the person was bare of stock. Grose, in his *Classical Dictionary of the Vulgar Tongue*, published in 1788, defines a Bear as "One who sells what he has not got, like the huntsman in the fable who sold the bear-skin before the bear was killed." The term Stag did not apparently become a familiar expression until the Railway Mania, but that is anticipating.

A writer of a work published in 1707 thus quaintly describes the stockbroker of the day and gives some idea of his business : " Brokers of Stock are such as buy and sell Shares in Joint Stocks for any one that shall desire them ; as if I am minded to buy two shares in *East India Stock*, I speak to a Broker if he knows of any to sell, he enquires and finds one that will sell two Shares, which the Broker buyeth

for me at the Price currant on the Exchange, and when the same are transferred to me in the Company's Book, I pay for them. And it has been usual to give these Brokers for their Brokage or Provision as followeth : For *Hudson Bay* Stock, 1*l.* per Share ; for *East India* Stock, 10*s.* per share ; *Africa* Stock or other petty Stocks as Glass, Lead, Linnen, Copper, etc., 5*s.* per Share. And at this Rate there are some have got 1000*l.* or 1500*l.* per An."

One foreign loan, and one only, was dealt with in the early days of Change Alley. It was raised there in 1706, on the proposal of the Duke of Marlborough, heated with the pride of his victories in the Lowlands. The borrower was our ally the Emperor of Germany, the amount half a million sterling, the rate of interest eight per cent, the security the Silesian revenue, and the date of redemption 1714. This, the first of foreign loans, was readily subscribed, many of the leading commercial men of the country coming to the Alley for the purpose during the few days the lists were open. The value of foreign loans officially quoted in the Stock Exchange list to-day is over three thousand millions sterling. However, there was ample business to occupy the attention of Change Alley even with only one foreign loan existent, as we can see by following the fortunes of a speculator of the day. One such was none other than Jonathan Swift. Dean Swift was not only a speculator who followed the fluctuations of Change Alley

with keen interest, but he was something of a tipster besides. In one of his letters to Stella, dated 31st October 1710, we find him saying : “ I writ to your mother four days ago to desire her to break it to Lady Giffard, to put some money for you in the Bank, which was then fallen thirty *per cent.* Would to God mine had been here, I should have gained one hundred pounds, and got as good interest as in Ireland and much securer. I would fain have borrowed three hundred pounds, but money is so scarce here, there is no borrowing by this fall of stocks. It is rising now and I knew it would ; it fell from one hundred and twenty-nine to ninety-six.”

The price and the fluctuation in Bank stock convey some idea of the excitement in Change Alley, but such movements in the most staid of securities were not unusual at the time. Again, on 11th November 1710, we find Swift writing : “ My business in the City was to thank Stratford for a kindness he has done me which now I will tell you. I found Bank stock was fallen thirty-four in the hundred and was mighty desirous to buy it, but I was a little too late for the cheapest time, being hindered by business here ; for I was so wise as to guess to a day when it would fall. My project was this : I had three hundred pounds in Ireland ; and so I writ Mr. Stratford in the City, to desire he would buy me three hundred pounds in Bank stock, and that he should keep the papers, and that I would be bound to pay

him for them ; and if it should rise or fall I would take my chance, and pay him interest in the meantime. I showed my letter to one or two people who understand those things, and they said money was so hard to be got here that no man would do it for me. However, Stratford, who is the most generous man alive, has done it ; but it cost one hundred pounds and a half, that is ten shillings, so that three hundred pounds cost me three hundred pounds and thirty shillings. This was done about a week ago, and I can have five pounds for my bargain already. Before it fell it was one hundred and thirty pounds, and we are sure it will be the same again." Months later we find Swift still closely watching the market, especially his favourite stock. "Bank stock," he writes on 30th June 1711, "is fallen three or four per cent by the whispers about the town of the Queen's being ill, who is however very well."

But Swift's speculations were not confined to Bank stock, and a passage from another letter to Stella, dated 12th January 1711-12, may be quoted as throwing some light on dealings in South Sea stock and lottery tickets at the time : "When I sealed up my letter this morning I looked upon myself to be not worth a groat in the world. Last night after Mr. Ford and I left Domville, Ford desired me to go with him for a minute upon earnest business, and then told me that both he and I were ruined : for he had trusted Stratford with five hundred pounds for tickets for the lottery, and

he had been with Stratford, who confessed he had lost fifteen thousand pounds by Sir Stephen Evans, who broke last week ; that he concluded Stratford must break too ; that he could not get his tickets, but Stratford made him several excuses, which seemed very blind ones, etc. And Stratford had near four hundred pounds of mine, to buy me five hundred pounds in the South Sea Company. I called all my philosophy and religion up, and, I thank God, it did not keep me awake beyond my usual time above a quarter of an hour. This morning I sent for Tooke, whom I had employed to buy the stock of Stratford, and settle things with him. He told me I was secure ; for Stratford had transferred it to me in form in the South Sea House, and he had accepted it for me, and all was done on stamped parchment. However he would be farther informed, and at night sent me a note to confirm me. However I am not yet secure ; and, besides, am in pain for Ford, whom I first brought acquainted with Stratford. I dined in the City." The next day Swift sets us further at rest in the matter : " Stratford had promised Ford to meet him and me to-night at Ford's lodgings. He did so ; said he had hopes to save himself in his affair with Evans. Ford asked him for his tickets ; he said he would send them to-morrow ; but looking in his pocket-book, said he believed he had some of them about him, and gave him as many as came to two hundred pounds, which rejoiced us much ; besides he

talked so frankly that we might think there is no danger. I asked him, Was there any more to be settled between us in my affair? He said, No; and answering my questions just as Tooke had got them from others; so I hope I am safe. This has been a scurvy affair. I believe Stella would have laughed at me, to see a suspicious fellow like me overreached."

"Queen Anne is dead" was the purport of the message of a horseman as he rode frantically down the Queen's Road towards the end of Her Majesty's reign. It was news indeed in those days; though news devoid of truth. It was one of those false rumours as to the Queen's health of which, as we have just seen, Swift made mention in a letter. Being a courtier, Swift knew that the fall of three or four per cent in Bank stock was unjustified. But on this occasion of the rumoured death of the Queen the markets of Change Alley were panic-stricken. Nothing was discovered of the origin of the false alarm or as to the daring way in which it was spread; but it was well known that Sir Manasseh Lopez, a prominent figure in Change Alley, and some others made a big haul by steady purchase at panic prices.

A somewhat similar trick was played upon Change Alley a couple of years later, in 1715. After the dispersal of the forces of the Pretender a carriage and six was seen on the road near Perth, apparently destined for London. Simultaneously, letters reached the metropolis declaring that the discomfited Stuart was

captured. The Funds rose and a large profit was realised by those who engineered the trick. Such fraud was easy at this time, in the early days of the eighteenth century, when there were no public news services. Rich was the reward of him who commanded reliable information. It was freely admitted that the news service of Change Alley, both home and foreign, surpassed that of the Government itself. Its messengers were better appointed and better paid. Sir Henry Furnese, who was a bank director as well as a speculator, seems to have distinguished himself in this way, establishing a kind of Reuter's service on a private scale. Amongst his customers he had numbered King William himself, and Sir Henry wore on his finger a diamond ring, a Royal present for special service. His despatches were constant from sources whence news could be turned to profit, which were limited in those days—from Holland, France, Germany, and Flanders he was specially well informed. He was amongst the earliest to hear the news of the fall of Namur and reaped a fortune in Change Alley by means of the information. Unfortunately he sometimes took advantage of his repute for possessing early information to foist upon the market fabricated news, and shrewd operators were wont to buy most when his brokers looked most gloomy. Another big dealer who gathered in rich harvest by being well informed as to foreign affairs in those days was the Jew Medina. He, it is said, himself attended

throughout the campaigns of the Duke of Marlborough, and profited so largely that he could afford to grant the Duke an annuity of £6000 for the privilege.

The collection of information as to Change Alley itself, the publication of prices and the like, was at this time left to private enterprise. There was no Stock Exchange Committee in those days; the first minute passed by representatives of the Stock Exchange as an organisation was not recorded until nearly a hundred years afterwards. A list of some kind, quoting half a dozen securities, appeared as early as 1697, but on 26th March 1714 appeared the first number of a price list, a "course of exchange," which was the precursor of the present Stock Exchange Official List. It was compiled by John Freke, broker, and was "sold by the author at his office over against Jonathan's Coffee House in Exchange Alley who buys and sells stocks and all public securities and lends money on the same." This first list contained the quotation of East India Stock 118- $\frac{1}{2}$, Bank Stock 79- $\frac{1}{2}$, African 40- $\frac{1}{2}$, South Sea Loan 1- $\frac{1}{2}$. It also gave the course of exchange on thirteen Continental centres, not to mention Dublin. It announced that the transfer books of the Bank of England would open on the succeeding fourteenth day of April and that the dividend of £4 per cent was about to be paid. The East India dividend of 2 $\frac{1}{2}$ per cent was also announced. The list, moreover, gave the quotation of certain

annuities, the price of coals, and statistics not exactly of births, marriages, and deaths, but of christenings and burials. It was published twice a week, giving the quotations for each of the three preceding days, and any gentleman could have the list left at his house every Tuesday and Friday. The charge first announced was three shillings a quarter, but after the first month it was reduced to half-a-crown a quarter. Before the end of the first year of its existence the list had grown with the times. It had not increased in size—a sheet seven inches by eight inches printed on one side only—but its space was more fully occupied with quotations, especially the quotations of lottery tickets, to the exclusion of the statistics as to domestic occurrences. So justly proud was Mr. John Freke of this production that he had the lists bound in annual volumes, containing 105 sheets, and sold for ten shillings, the first volume being dedicated to Sir Gilbert Heathcote, Knight and Alderman of the City of London.

With the War of Succession in Spain the debt of the nation rapidly increased. In fact it was multiplied by $3\frac{1}{2}$, advancing from 16 millions to 54 millions sterling. And with the increase of the amount of the loans outstanding naturally grew the importance of stock dealings. Change Alley was not regarded merely as the Stock Exchange but as the money market, as the source of monetary supplies. Its dealers were regarded as bankers, and more; it was

not theirs only to buy and to sell but to lend and to finance. Thus in 1716 we find Sir Robert Walpole rising from his place in the House of Commons and saying : "I know that the members of the Stock Exchange have combined not to advance money on the loan. Every one is aware how the administration of this country has been distressed by stock-jobbers." The loan to which Sir Robert referred was one of £600,000, offered at 4 per cent interest. Only £45,000 had been subscribed, partly because of the low return compared with the heavy premiums which had been paid in the reign of William III. There was probably some basis for Sir Robert Walpole's allegation of a Stock Exchange combination. It was felt in Change Alley and it was felt by the investing public that the terms offered by the Government were inadequate; and the attempt to drive what was considered a hard bargain was bitterly resented, especially as a good deal of money was wasted by the Government officials in jobbery and corruption, as was proved by the Commission appointed to investigate the public accounts at the time.

It was not only from such an important personage as Sir Robert Walpole that the members of the Stock Exchange, as he called them, were subject to attack. As a clever politician Sir Robert doubtless realised that he was joining in a cry exceedingly popular when he referred to the stockjobbers as distressing the nation. Again and again throughout the

whole of the initial period of the history of stockdealing, agitation burst forth against the speculative tendencies so rapidly asserting themselves. A pamphlet issued with the main object of abolishing time-bargain speculation as distinct from real buying and selling was like this :

A Proposal for putting some stop to the Extravagant Humour of Stock-jobbing.

Whereas great quantities of several sorts of *Shares in Stocks* and *Bank, etc.*, are daily Bought and Sold by Brokers, Stock-jobbers, and Others ; and by divers Arts and Stratagems Advanc'd and Lower'd after an *extravagant* and *unaccountable manner*, to the great Prejudice of many Gentlemen, Merchants, Traders, and O-thers, and Ruine of Many Families, and to the Discouragement of the Trade of this Kingdom in General, by employing the Stock and Time of the Traders, whose Heads and Tongues being busied how to Outwit and Circumvent one another, are not at leisure to mind and follow their proper Trades and Callings.

It is therefore humbly Proposed,

That from and after the Day of every Person who shall sell any *Share* or *Shares* in the said *Stock* or *Bank, etc.*, shall within transferr the same to the Buyer thereof, and upon every such Transferring there shall be paid the Summ of per cent by the Seller ; and the Summ. of per cent by the Buyer ; and the Summ of per cent by the Brokers, *etc.*, which Summs, so paid, shall be appropriated as the Wisdom of Parliament shall think most meet.

That no *Stock* bought shall be sold again, until it be first Transferred, under a great Penalty.

That no Bargain shall be valid for any *Stock* sold, until it be transferred, and the several Summs paid, as aforesaid.

That *Certain Days* and *Times* be appointed to Buy and Sell *Stocks* in, as there is for Cloth at *Blackwell-hall*, *etc.*

That no *Stock* be sold till the Owner have had it for a certain space of Time.

By which means the *extravagant* and *unaccountable Methods* of Brokers, Stock-jobbers, and Others, will in great measure be Restraine'd ; the Government supply'd with a Considerable Summ of Money Yearly, the Fair Buyer and Seller at all times Accommodated ; and the Tradesmen more at Leisure to follow their several Trades and Callings.

All which is humbly offer'd to Consideration.

This was a comparatively moderate proposal doubtless well meant, but at the time Sir Robert Walpole made his bitter complaint it was the fashion of the multitude, with a peculiar though not uncommon indiscrimination, to hold Change Alley responsible for the rapidly increasing debt which the Government was incurring, because the Alley found the money and dealt in the Funds. When because of some national reverse the Funds fell, it was Change Alley that was held responsible not only for the fall but for the reverse as well ; the immorality of speculation was the theme of righteous horror, especially amongst those who, gambling in the Alley, had lost their money. To this feeling the popular writers of the day readily truckled. Pope, Steele, Addison, even Swift, the speculator, all found the topic congenial. The myriad of petty dramatists and pamphleteers poured obloquy on Change Alley and its denizens. The stockbroker and the stockjobber were the butt of raillery, of invective, of homilies innumerable, of wit and satire, of gibes as coarse as the latitude of the age allowed. But despite it all Change Alley prospered.

CHAPTER III

AT THE TIME OF THE SOUTH SEA BUBBLE

The sensation of the Charitable Corporation—About the South Sea Company—Price fluctuations in the panic of 1720—A galaxy of South Sea companies and the prices of their shares—A kindly instructive hoax—Some sufferers by the bursting of the South Sea Bubble—The end of South Sea House—Some gainers by the South Sea Bubble—Thomas Guy, stockbroker, and his Hospital—Seamen's Tickets.

To the prosperity of the Alley came a rude shock in the bursting of the South Sea Bubble in 1720—the first financial crisis in this country of which there is any real record, and the most disastrous that has ever occurred. Very rapidly the stock of the South Sea Company had displaced in speculative favour such stocks as those of the East India Company and of the Bank of England. Indeed, dealing in the favourite East India stock had become more political than financial. A struggle was raging between the old East India Company and the new East India Company, and the financial cliques found that the best way to control the stocks was to control the political power of the day. They bought and sold boroughs openly in the market;

seats in Parliament were dealt in almost as commonly as lottery tickets. Change Alley was frenzied with a fever of speculative manipulation. Unhealthy inflation was everywhere ; the dishonest company promoter was rife, playing with his schemes upon the cupidity of the high and low alike. One glaring instance of fraud was that of the great Charitable Corporation. The Corporation had reached the zenith of its prosperity in 1719, having been formed some years previously to supplant the money-lender, to provide the needy with loans at 5 or 6 per cent per annum. These loans were made out of the capital of the Corporation and also out of deposits, for it acted also as banker. Its original capital was £30,000, but so rapidly did its importance and influence extend, that in 1719 this capital was multiplied by twenty, and its directorate then included the names of members of the Privy Council, of the House of Lords, and of the House of Commons, many of whom were, of course, induced to lend their patronage because of the philanthropic character of the undertaking. Its crash it was that brought philanthropy and five per cent into disrepute. Persistent rumour that something was wrong was eventually all too literally confirmed. It was discovered that the cashier and one of the chief officers of the Corporation had disappeared, that the books had been falsified, that some of the directors had received unauthorised loans from the Company, that others had been recklessly gambling with its funds. Out of assets

amounting to some £600,000, only £30,000 remained, and the bitter loss affected all classes of society. Implicated members were expelled Parliament, estates were confiscated, and measures were taken to relieve the innocent sufferers. In the course of time, however, the creditors of the Corporation received a dividend of nearly ten shillings in the pound, mainly as the result of a lottery which was arranged by the State for their benefit.

It was an era of bitter awakening, an era which brought home to the rash speculator the lesson he is so slow to learn—that inflation is followed by collapse. Across the Channel from France slowly trickled the news of the downfall of the Mississippi Company, a huge colonisation concern there. The Change Alley of Paris was the Rue Quincampoix, and the tidings of its financial crash hastened the bursting of our own South Sea Bubble. The South Sea Company itself was projected by Sir John Blount and incorporated by Act of Parliament in 1710. The early issues of South Sea stock were made soon afterwards to the amount of not much less than ten millions sterling, with the object of paying the amount due to seamen employed in Queen Anne's wars; in fact, to redeem Seamen's Tickets. The stock lay respectfully quiet for years, but in the memorable year 1720 the Company was granted, by Act of Parliament, the sole privilege of trading to the South Seas within certain limits. It was empowered, moreover, to increase its capital for the purpose of

redeeming several of the public loans, and the door being opened to various extraordinary malpractices, the capital was eventually increased to $33\frac{1}{2}$ millions sterling. The Company posed as what we should nowadays call an exploration, finance, and development company. It was to supply Spanish America with negro labour ; it was to do for territories in what were vaguely known as the South Seas what the East India Company was doing for India. At first its schemes met with a very cold reception, but false alluring rumours were assiduously circulated ; one, that Peru would come under the protection of the English Government, having been exchanged for Gibraltar and Port Mahon, and that trade would follow the flag, seems to have been particularly effective. Vast potential wealth was attributed to the Company's territories. Schemes of the most absurd nature were promoted not only by the directors of the parent South Sea Company themselves, but by many an imitator whose brain or imagination or effrontery sufficed for the purpose. Under such influences South Sea stock was quoted in Change Alley, in the middle of April 1720, at 325. We have seen that in that first list published by John Freke, six years previously, the price was given as 1 to $1\frac{1}{2}$. By the middle of May 1720, the price had risen by leaps and bounds to 500, on 21st May it was 600, on 23rd May 650, on 25th May 710. Still rising, it had reached 890 by 2nd June ; the next day there was a drop to 640, and the next a recovery

to 770. On 2nd August the price was 1000, on the 7th 1100, on the 9th 1200.

Then the bubble burst.

By 2nd September the price was 700, and panic had set in. There is little need to add words to the eloquence of these figures that have been given. The extent of the disaster and the widespread excitement it caused can be imagined when it is borne in mind that South Sea stock was no limited market; when it is borne in mind that the people of this country, from the Cabinet Minister, nay from Royalty itself, to the veriest vagabond, were frantic in the distraction of the gamble; when it is borne in mind that the tatterdemalion fraternity vied with ladies of rank in making a pandemonium of Change Alley; when it is borne in mind that the Bank of England itself was freely accused of involving itself in the scandal of pandering to the bubble by lending money on the security of South Sea stock. Suffice it to say that the stock, which had been quoted a year or two before at par, and had reached 1200 on 9th August, was down to 700 before that month was out, and by October was quoted at 86. Ruin and desolation were sown amongst thousands of families throughout the land.

A print published about 1725, now in the possession of a well-known member of the Stock Exchange, was called "The Bubblers Mirrour or England's Folly." It gave "a list of y^e Bubbles with the prices they were Subscribed at, and what each sold at when highest, together

with Satirical Eppigrams upon each, by y^e author of y^e S. Sea Ballad." Here is the list of the names of the companies and the prices. Many such lists have been published, but from its date and the obvious care in the production of the publication this list may presumably be regarded as the most reliable and complete :

Name of Company.	Nominal Value.	Highest Touched.
Westley's Actions	£2 0 0	£12 0 0
Welby's Golden Mines	0 10 0	16 0 0
Long's Melioration of Oil	5 0 0	60 0 0
British Insurance	0 2 6	3 0 0
Globe Permits	Nothing Paid.	50 0 0
Salt Petre	0 2 6	1 10 0
Rose Insurance	0 10 0	4 10 0
Water Engine	4 0 0	50 0 0
Coal Trade from Newcastle	0 5 0	1 1 0
Stockings	2 10 0	30 0 0
Irish Sail Cloth	0 5 0	0 14 0
Furnishing of Funerals	2 10 0	15 0 0
Insurance on Lives	0 2 6	1 0 0
Royal Insurance	5 5 0	250 0 0
London Assurance	5 0 0	175 0 0
Manuring of Land	0 2 6	2 10 0
Rock Salt	1 5 0	15 0 0
Exporting Timber from Germany	0 10 0	1 0 0
Bleaching of Hair	0 5 0	1 10 0
Insurance on Horses	0 2 6	0 15 0
Sugar	0 5 0	1 0 0
Radish Oil	21 0 0	25 0 0
Pensilvania Company	5 5 0	40 0 0
Buying Seamen's Tickets	0 2 6	1 0 0
Pasteboard Manufactory	0 2 6	1 10 0
Drying Malt by Air	0 2 6	1 0 0

There is a further "list of y^e Bubbles of less Note whose Prices were for y^e most part uncertain," this list comprising Silk Manufactory, Tin and Lead Mines in Cornwall, Lending Money on Stocks, Widdows Pensions, Malt

Liquor, Grand American Fishery, Lincolnshire Fenns, River Oronoko, Naval Stores, Colchester Bays, Feeding Cattle, Insurance on Servants, Corn Trade, Turn Pikes and Wharfs, Extracting Silver from Lead, Making China in England, Importing Tobacco, Hay and Straw, Ballast, Fitting Ships against Pyrates, Timber from Wales, Transmutation of Quick Silver, Packing Cloth, Making Iron with Pit Coal, Jersey, Nova Britania, R. Thanett, Morison's Haven, Jamaica, Cureing the Gout and Stone, Italian Padlocks, Extracting Butter from Beech Trees, Insurance from Thefts, Paper Manufactory, Cambricks Lace and Holland, Beaver Furr, Japanning of Shoes, Flying Engine, Insurances of Marriages from Divorce, Air Pump for the Brain, and Engine to Remove S. Sea House to Moorfields. "Besides y^e Bubbles here nam'd," the list concludes, "An Innumerable Number Perish'd in y^e Embrio." Three companies given in the list have been omitted, their mere names being utterly unfit for publication nowadays. Other companies which have been said to have actually come into existence was one with a capital of a million to provide a wheel of perpetual motion; another for trading in human hair, another for establishing an Arcadian colony, another for the manufacture of square cannon-balls and bullets, and another for importing jackasses from Spain to improve the breed of mules.

Most of these companies were received with an avidity which may be instanced by citing the case of one whose object was "To carry on

an Undertaking of Great Advantage but Nobody to Know what It is." The prospectus stated that the capital was half a million in 5000 shares of £100 each, on which the deposit was two pounds. Each subscriber on depositing was to be entitled to £100 per annum per share. The projector opened his office in Cornhill and before he shut it and decamped at 3 o'clock the same day he had secured £3000 in deposits of two pounds. The end of another company which seemed to be of a similar class was happier. An office was opened in Change Alley at which investors were invited to subscribe a million sterling for some object or other not too particularly specified. The instalment payable on application was five shillings a share, and the reckless rushed to make their fortunes. It was not until a very large sum had been subscribed that an advertisement appeared informing the subscribers that on calling at the office they might obtain the return of their subscriptions. The supposititious undertaking, it was explained, was merely an experiment to test the question as to how many fools could be caught by such means in one day. There were thus cynics at the time and those ready to warn the foolish against the madness of their headlong rush. There were those who stood aloof and jeered, especially when it was all over. Indeed, the collapse of the South Sea Company and its subsidiaries and kindred in England and of the Mississippi Company in

France brought upon Change Alley and the Rue Quincampoix the aversion and the ridicule of the civilised world. In a Dutch allegorical print, dated 1720, we find included as bubbles, chained to a chariot conducted by Folly and dragged by the principal companies involved in the collapse, the Mississippi Company with a wooden leg, the South Sea Company with one leg bandaged and the other in plaster, the East India Company, and the Bank of England being bitten by a serpent in the feet. Hogarth himself satirised the affair in his well-known allegorical drawing which shows the figure of Fortune being sliced into collops by the Devil, the investor being broken on the wheel, and a monument erected in memory of the destruction of the City by the South Sea.

In this awful year the House of Commons, which devoted its attention to remedial measures that did much to alleviate the existing distress, passed a resolution without opposition to the effect that nothing could tend more to the establishment of public credit than to prevent the infamous practice of stockjobbing. In connection with the Bubble and the Government's arrangements with the South Sea Company, the Chancellor of the Exchequer himself was disgraced and several members of Parliament were expelled the House, whilst others were heavily fined.

Amongst those who suffered by the speculation were many interesting people. The Marquis of Chandos invested £300,000 in the

stock and lost the whole of it, refusing the advice of the Duke of Newcastle to take cent per cent profit, although he had the opportunity. The poet Gay was presented with £1000 stock, and at one time stood to gain £20,000. He lost all, however, and Dr. Arbuthnot, who had advised him to sell out, also lost £2000, not having the resolution to practise what he preached. "Tom of Ten Thousand," as Mr. Thomas Hudson of Leeds called himself, died an imbecile beggar, wandering the streets for charity. He had been a Government clerk, but inheriting a large fortune had invested the whole of it in South Sea stock. A very famous Nonconformist divine, the Rev. Samuel Chandler, losing all he possessed, had to eke out his earnings from the pulpit by a few years' service in a bookseller's shop.

Now, 180 years after the Bubble, the old South Sea House at the corner of Threadneedle Street has disappeared. Lamb described it as a melancholy-looking handsome brick and stone edifice. It was largely reconstructed in 1855, and in recent years it has been occupied by The Baltic, that company being formed for the purpose of acquiring it in 1857. But it has now passed into the hands of the British Linen Company Bank, has been demolished, and in the process of the erection of new premises the last traces of the old South Sea House have disappeared in their practical entirety.

It would of course be erroneous to suppose that the South Sea Bubble wrought wreck to every one. The grandsons of Sir Gregory Page built him a fine mansion at Blackheath out of the profits they made from speculation in South Sea stock while the price was wildly fluctuating. And it is partly to the South Sea Bubble that London owes Guy's Hospital, the gift of a great stockbroker of the time.

The son of a lighterman, Thomas Guy launched forth into life as a humble bookseller. Prosperity smiled upon him in his trade, and, like many another at the time, he was tempted, though comparatively late in life, to go into the Alley with his profits. His office was situated where the premises of the Liverpool and London and Globe Company now stand. The risky step seems in this instance certainly to have been justified by events, for when Thomas Guy died in 1724 at the ripe age of eighty-one, he left half a million of money, nearly half of which he willed to the hospital which now bears his name, besides large sums to other charities. It was not, however, by reckless speculation, indulged in indiscriminately amongst the various bubble companies, that Thomas Guy made his fortune, which was a very large one for those days. He may be described as having been the market in Seamen's Tickets — that was his special department of speculation. From the time of the Merry Monarch the Government had found it more convenient to pay the officers

and men of the Navy in paper than in cash, and at this time these Seamen's Tickets were not readily convertible at the Treasury. Guy was ever prepared to buy them from the generous, careless, spendthrift Jack ashore at the heavy discount which he fixed, converting them at such times as he found Government amenable. It was, as it were, a transaction in Treasury Bills.

CHAPTER IV

SIR JOHN BARNARD'S ACT AGAINST SPECULATION

The fortune and the tenet of Sampson Gideon, stockbroker—Foreign loans made illegal—The Barnard Act of 1733 and its provisions—Subsequent history of the Act—How it proved a dead letter—The Stock Exchange as an outlaw—Repeated attempts on the liberty of the stockbroker—Change Alley devastated by fire and rebuilt in 1748—Gambling in men's lives—A stockbroker executed for fraud—The honorary magistrate in Change Alley—The East India panic of 1764—The Alley and the House of Commons—Horace Walpole's curiosity as to Bulls, Bears, and Lame Ducks—A legal decision as to the Lord Mayor's yoke—The crisis of 1772 and Alexander Fordyce—Jonathan's as the Stock Exchange—From Change Alley to the Threadneedle Street Stock Exchange.

THOMAS GUY's successor as perhaps the most prominent broker in the market was Sampson Gideon, and the two leading lights of speculation in their day had at least one thing in common, their reputation for being badly-dressed men. Sampson Gideon was a friend of Sir Robert Walpole. He made his fortune by the repulse of the Pretender. When the Prince was advancing on London and Jonathan's was panic-stricken, Gideon bought as

much stock as his cash and his credit would procure. He sunk his all and more and came out of the deal a millionaire. "Never grant a life annuity to an old woman," was one of Sampson Gideon's playful little axioms ; "they wither, but they never die." When his own time came in 1762 he left a fortune, it is said, to the Duke of Devonshire, and amongst his legacies figured £2000 for the Corporation of the Sons of the Clergy, £1000 for the Jewish Synagogue, and £1000 for the London Hospital.

But the eyes of the denizens of Change Alley were fixed not so much upon such giants within their ranks as Guy and Gideon as upon an outsider, who was destined to make a mark upon the history of their profession. This was Sir John Barnard, the Great City Commoner, as he was called, he who refused ever to enter the Royal Exchange after his admiring fellows had placed his statue within its walls. His initial entrance into the annals of Change Alley was as its champion. In 1730 foreign loans were made illegal. The occasion was an attempted issue on the part of the German Emperor of £400,000. Change Alley was fully prepared to find the amount on certain terms, but Sir Robert Walpole, smarting perchance under financial rebuffs which he had received in that quarter, introduced a Bill into Parliament prohibiting the advance of money by people resident in this country to any foreign State without special licence from the King. The Alley had for its champion in the House

of Commons on this occasion Sir John Barnard, but despite powerful and strenuous opposition, Sir Robert Walpole carried his Bill through.

But two or three years later, in 1733, we find Sir John Barnard calling the attention of the House of Commons to the vagaries of the Alley, and introducing a Bill, which eventually became law, for the suppression of most of its business. All the arguments which could be adduced against gambling were brought forward in support of the Bill, and all the jealousies which could be awakened against the flourishing profession of stock and share dealing were aroused. A most telling allegation was that stockbrokers were receiving annually from foreigners alone commissions which amounted in the total to some £80,000. It was against time bargains, differences, that the Bill was specially directed. They seem to have had their origin when the transfer of Government Stock was impossible for six weeks at a time, which was the period deemed necessary by the Bank of England to keep the books closed in preparation of the dividend distribution. The habit of buying and selling the stock without delivery—in other words, of transacting time bargains and dealing for differences—had rapidly grown and extended. Sir John Barnard's Act, passed in 1733, was directed against bargains for "putts" or "refusals" in "any public or joint stock or other public security whatever," and the first section declared all such transactions to be void. The premiums paid in respect

of them were to be restored or the person who had paid them was given power to bring an action for the money and recover it with double costs of the suit. If such premiums were neither restored nor sued for within six months, all who had entered into the contracts, including the brokers who had negotiated them, were severally liable to a penalty of £500 each, half of which was to go to the informer who sued. The Act further forbade what it called the evil practice of compounding for differences, and required every contract to be carried out by actual payment for, and actual delivery of, the stock under a penalty of £100 against any person paying or receiving differences. The Act also provided that every contract for the sale of stock should be void if at the time of making the contract the seller was not possessed of or entitled to the stock, and that any such speculative seller was liable to a penalty of £500. Any broker knowingly having anything to do with such a speculative sale was liable to a penalty of £100.

When it was passed in 1733 this Act was made applicable for three years, but by 10 George II., c. 8, it was made perpetual. It was not actually repealed until 1860, and as some check to the joy with which stockbrokers saw the last of it in that year the Legislature imposed a penny stamp duty upon all contracts made upon the Stock Exchange. But, as a matter of fact, although Sir John Barnard's Act was in force for more than a century and

a quarter it was at no time seriously operative, and its force was whittled away by judgment after judgment in the law courts. Nevertheless during its currency it made the position of the broker a rather uncertain one. Until its repeal the state of the law was such that if a broker was employed in one of these transactions which the Act made illegal he could not recover from his principal, although he had actually done work for him and laid out money for him, because he could not establish his right except by virtue of having done that which was forbidden by law under a penalty. The fact of work having actually been done was nothing in the broker's favour. To put it in one way, the Stock Exchange, as far as its speculative transactions were concerned, was outlawed during the continuance of the Barnard Act and enjoyed the freedom as well as suffered the disadvantages of the outlaw. From the date of the repeal of the Barnard Act the Stock Exchange was brought within the lawful fold and had to bear the burden of the responsibilities as well as enjoy the privileges attaching to the position. By making the brokers of Change Alley extremely careful as to the people with whom and for whom they transacted speculative business, the Act caused some temporary cessation in dealing for differences, but speculation, as distinct from mere investment, was so firmly established in 1733 that it was not to be uprooted by Act of Parliament. At first, when the Bill became law, Change Alley was dumb-

founded, terror-stricken. With the cessation of time bargains—and it did not know they would not cease—its occupation had practically gone. Sir John Barnard had earned the everlasting enmity of the dealers—nothing that was bad enough could be said of him, no imputation too foul could be made against him—until it was found that the gamble went on as merrily as ever. Here is a conversation, culled from a pamphlet of the day, which described an imaginary meeting at “A Club of Jews, Dutchmen, French Refugees, and English Stock-jobbers.” Not only is Sir John Barnard mentioned, but the extracts from the conversation throw some light on the use of such words as stockjobber, bull, and bear at the time :

Zachary. Zounds ! what does he mean by *stock-jobbers* ? I hate to hear the name mentioned, for we are all now called so by way of reproach !

Tartuffe. Dat he took care to explain to us, sir : by *stock-jobbers* he means dose dat be not able to comply vit dare *subscriptions*, but subscribe for a large sum, vit a view to sell out the vole or greatest part at an advanced price, soon after dey have subscribed, or at least before de time of dose future payments vish dey know demselves unable to comply vit.

Zachary. The devil’s in this Sir J—n ; by his curst law against what he call’s stock-jobbing he has deprived us of the principal and most profitable branch of our trade, which was that of dealing in bulls and bears ; and now by his schemes he will quite ruin the business of the Alley. Then his schemes are like his laws ; it is as impracticable to make a job of the former as it is impossible to evade the latter. If he be allowed to go on, I believe he will at last render it impossible for any man to get an estate but by the slow and dull way of economy, or the laborious or uncertain way of trade and commerce.

As to Sir John Barnard, he was offered the Chancellorship of the Exchequer in 1746 and refused it. Meantime he had proposed in 1737 to reduce the four per cent interest on the National Debt to three per cent, affording investors the alternative of the return of their capital. In connection with the proposal it was estimated on the basis of an examination of the books at the Bank of England that ten millions sterling of the Funds was the amount in the hands of foreigners. But the reduction of National Debt interest was not carried out until 1750. Not unnaturally unconcerned with the effort of Sir John Barnard's Act against speculation, Parliament considered Bills materially affecting the interests of Change Alley in 1746, and again a decade later in 1756, but none of these Bills became law, Sir John Barnard's Act remaining the dominant legal factor in the field of finance.

Not only the Legislature but the elements themselves seemed at this period—the middle of the eighteenth century—to be averse to Change Alley, or at all events to be inclined to bring a chastening influence to bear upon its confines. In 1748, on Lady Day, the Alley was devastated by fire. The conflagration, beginning in a barber's shop at one o'clock in the morning, raged for nearly twelve hours, utterly destroying eighty dwelling-houses, besides shops and other offices, including many insurance offices themselves, and damaging fourteen other buildings. Jonathan's and Gar-

raway's, the resorts of the stockjobbers, were burnt down, and a public appeal was made to merchants, dealers in stocks, and others to aid those who were unable to bear the severe loss entailed. Both Jonathan's and Garraway's were rebuilt, and business soon settled down again in the old quarters.

Some of the business of the Alley was peculiar, even judged by the standard of Change Alley transactions. The sphere of the broker was much less specialised than is the case with the broker of Capel Court to-day. For instance, he undertook business for which we should now look to Lloyd's. War insurance, hazardous life assurance, and many another class of business, quite alien to the Stock Exchange now, were all fish to the nets of Change Alley. Prices in men's lives were made with a frankness which was brutal, and the quotations were duly recorded in the Press. It was no uncommon thing to find the papers of the day gauging the chances of a prominent invalid's death not by medical bulletins but by bare figures—by the premium at which insurance could be obtained upon his life in the Alley. It is happily the case, however, that this system of gambling on human life was short-lived, and the less respectable of the brokers who indulged in it, finding themselves ostracised by the reputable members of the market, gradually relinquished the objectionable class of business.

Sometimes crime stole into the purlieus of

Change Alley, which is not surprising if we may accept the statement made about the middle of the century that there were "one hundred and fifty gentlemen brokers and a horde of hangers-on." In 1762 a stockbroker, John Rice by name, was executed for defrauding a client who was a lady. He sold out all her stock and lost the proceeds in speculation, though for a time he kept up appearances by regularly remitting the dividends. We have heard something of the sort in the case of solicitors at the present day, but they have not been executed. When Rice's breach of trust was discovered he fled to France, but was extradited and suffered the penalty of death itself, which the severity of the law at that time allowed. Again, five years later, a series of thefts occurred in the Alley which gave rise to much vexation and some little anxiety. But the delinquent was not in this case one of the gentlemen brokers; he was one of the horde of hangers-on—a pickpocket by his own confession. When he was at last arrested on the very day that he had extracted four more pocket-books, the contents of which were of considerable value, his defence was that the acts with which he was charged were committed amongst brokers, that one man had as much right to rob as another, and that he was merely acting as an honorary magistrate in taking that from the brokers of which they had cheated their neighbours !

February 1764 was marked by something

like a panic in the market owing to the receipt of the news of an ominous native rising against the rule of the East India Company. East India stock fell fourteen points with disastrous suddenness, but it was the beginning of the political importance which the great company ultimately attained. At a stormy meeting of the stockholders Mr. Sullivan, the chairman, was deposed and the aid of Lord Clive was obtained, and from that day the East India Company increased in power. Two years later Horace Walpole is found saying that "From the Alley to the House is like a path of ants." This incisive reference was to the frequent dealings of members of Parliament in the stock of the East India Company at a time when the question of regulating its dividend was before the House of Commons. Market optimists were confidently predicting that the Company would pay a hundred per cent per annum; as a matter of fact a dividend of 13 per cent per annum was disbursed. It was endeavoured in Parliament, and ultimately with success, to restrict the rate of dividend payable by the Company to 10 per cent per annum, and legislators took advantage of the see-saw of the fierce debate and of the special knowledge they possessed of its tendencies to buy and sell to their own profit. Thus from the Alley to the House was like a path of ants. But although Horace Walpole was able to twit his fellow-members of the House of Commons upon their interest in finance, he had already

remarked that the inhabitants of Change Alley took an absorbing interest in politics. Writing to Mann on 28th December 1761, he had said: "It makes a strange confusion now that brokers are so much concerned in the events of war. How Scipio would have stared if he had been told that he must not demolish Carthage, as it would ruin several aldermen who had Punic actions! *Apropos*, do you know what a Bull and a Bear and a Lame Duck are? Nay, nor I either: I am only certain they are neither animal nor fowl, but are extremely interested in the new subscription." Playful allusions to the Bull and Bear were numerous at the time. Mr. G. A. Stevens, a leading authority on City topics, as he was on the structure of heads, wrote a humorous poem in 1762 called *The Stocks*, which was inscribed to Bulls and Bears. Stevens it was who threw a waiter out of window, telling the host to put him down in the bill. It was regarded as a little practical joke at the time, but the author of *The Stocks* subsequently developed undoubted insanity.

We now approach the time when the kingdom of Change Alley ceased to be the Stock Exchange. But before the brokers vacated its coffee-houses and its purlieus to settle down into a staid organisation in a home of their own, they were affected by an important legal decision and by another financial crisis. The decision was pronounced in 1767, and marked a skirmish in the feud which existed so long between the stockbrokers and the authorities

of the City of London over the question of brokers' licences. It had hitherto been presumed that Government stock could be purchased only through brokers who were duly licensed by the City of London. Two test cases arose, however, in which stock was purchased by those who were not licensed brokers. Legal proceedings were instituted at the instance of the City Chamberlain, and in each case the decision was given against him. It was declared that the market was free; that Government securities could be legally bought or sold without the employment or intervention of a broker. But this decision, although important, did not end the feud. It had barely begun, as we shall see. It was not until more than a hundred years afterwards that brokers were really freed from the City's yoke.

The financial crisis, the last crisis of Change Alley, occurred in 1772. Great fortunes had been made in India by the Nabobs under the ægis of the East India Company, and the spirit of speculation stalked abroad. Disaster followed recklessness. The first thunderclap was the failure of Douglas Heron & Company, the banking-house which had already gained notoriety through its speculative propensities, and the storm that followed was sharp though short, shaking the banks of England, and of Scotland as well. One who fell in the storm was Alexander Fordyce, a Scot, who, during his short reign, was the most thriving

jobber of Change Alley. He was an Aberdonian hosier who aspired from stockings to stocks. Allured to Change Alley, he amassed a large fortune, acquired an extensive estate, built a church, endowed a hospital, purchased several Scottish lairdships, spent thousands in the vain endeavour to obtain a seat in Parliament, and married a lady of title upon whom he made a handsome settlement. In 1772 his bills were in circulation to the amount of four millions sterling, and then came his disastrous collapse. Such an amount naturally involved a large number of business connections and friends; but it did not involve a wealthy Quaker of the day who, according to report, declared that as an element in gambling Fordyce was doubly as bad as two dice.

Meantime the movement had been set afoot for the organisation of the stockdealers, for migration from Change Alley altogether, and for the formation of a Stock Exchange proper in its own home, where the frequenters of Change Alley, of South Sea House, and of India House, or those of them who wished to regularly follow the profession of stockdealing, could meet in compact entity under systematised order. As early as 1762 the principal dealers had recognised the desirability of some organisation, and had formed a club at Jonathan's. The position may be expressed in the somewhat bitter parlance of a writer of the day who did not seem to see that the club was a natural development, the evolution of the first signs of

order out of the chaos of stockdealing which had existed for nearly a century :

“ The gentlemen stockbrokers have taken it into their heads that some of their fraternity are not so good as themselves (which means no more than they are neither so opulent nor so crafty as the rest), and have entered into an association to exclude them from J——’s Coffee House, and for the future to admit none to the privileges of sacrificing to Plutus in this his metropolitan temple but by election ; and to support themselves in this famous association no less than one hundred and fifty gentlemen stockbrokers have agreed to pay to the master of J——’s the sum of £8 sterling per annum each, amounting in the whole to £1200, for the privilege of excluding their poor brethren and of assembling about three hours every day to transact only one part of their business ; the principal part being done at the public offices, viz. : the Bank, the South Sea House, and the India House.” Thus Jonathan’s was almost entitled to be described as the first Stock Exchange, and the result of a lawsuit decided in the very year the club was formed, 1762, enhances its claim to that honour. There was a fracas, alas ! in Jonathan’s, the proprietor and his myrmidons—there were waitresses as well as waiters—forcibly expelling a stockbroker. The broker brought action for assault and to assert his right to enter the house. The case was tried before Lord Mansfield and a special jury, and the finding was in

favour of the plaintiff. It was held that Jonathan's had been the place of resort for dealers in stocks and shares for a longer period than was covered by the memory of man. Thus in spite of its proprietor, Jonathan's, at first merely a refuge for brokers from the stress of weather and from the crush of the Alley,—there were complaints as to the blocked thoroughfare in those days as there have been complaints as to the block in Throgmorton Street in later times,—in spite of its proprietor Jonathan's had developed from a place of resort into a recognised mart; in fact, it had become the Stock Exchange. It was not to remain so long. For one thing, it became too small. In 1773 the organised nucleus of brokers removed from Change Alley and its coffee-houses to a habitation of their own at the corner of Threadneedle Street and Sweeting's Alley, opposite the site where the Stock Exchange now stands. The new building still partook of the character of a coffee-house, but its name was "The Stock Exchange."

CHAPTER V

IN SWEETING'S ALLEY

An inaugural meeting of members of the Stock Exchange—

Subscription sixpence a day—Description of the new abode—A financial zoo—The character of the stockjobber, by a writer who was not one—Mr. Morgan Vaughan, hatter, hosier, and stockbroker—Only twelve Jewish brokers—The repartee of Lord Mayor Wilkes—A prominent member of the Stock Exchange in 1785—Jobbery in the allotment of the funds—Some libel actions concerning Pitt—The origin of the blackboard—Twenty-five failures simultaneously—The panic of 1797—Another member of the Stock Exchange executed for fraud—An effeminate client—The removal to Capel Court.

IT was on 15th July 1773 that the memorable meeting of brokers and others was held at which the Stock Exchange was inaugurated in the form it maintained throughout the last quarter of the eighteenth century. It was decided at the meeting to inscribe the words “The Stock Exchange” over the door of the members’ new abode. The meeting, in fact, put the final touches to the establishment of the first real Stock Exchange; henceforward eutaxy was to reign. No wonder that before the conclusion of this important meeting a

silver collection was taken, the brokers contributing sixpence each, that a baptismal libation of punch might be offered to the new institution. The sixpenny subscription was emblematic, allegorical. The subscription of members of the Stock Exchange was not to be forty pounds per annum as it is now, not to mention heavy entrance fees and guarantees ; it was to be sixpence a day. The money was devoted to the maintenance of the new Stock Exchange rooms, and outsiders as well as members provided it. The Stock Exchange was open to the public on this payment. Any one could enter as far as the bar, which was breast high, and over it he could see and hear the whole room. He could pass within on the payment of the sixpence, receiving in exchange a token which qualified him to use the room throughout the whole of the day's session.

The new Stock Exchange was most admirably situated. Standing at the corner of Threadneedle Street and Sweeting's Rents, or Sweeting's Alley, which ran over the site of the present Peabody statue, it was not far from Change Alley, where many of the dealers still of course lingered ; it was close to the Bank of England, whose Rotunda had by this time become the market for Government securities ; it almost touched the north-east corner of the Royal Exchange, in which, as must be remembered, dealings in foreign stocks were still transacted. The new Stock Exchange even appropriated the title of "the House," and its



PLAN SHOWING THE SWEETING'S ALLEY SHOCK EXCHANGE

PLAY

WANDSWORTH

LEISURE

organisation was excellent. It was under the control of a Committee for General Purposes—that designation having lasted ever since—whose functions were then, as now, judicial as regards the settlement of disputed bargains, and administrative as regards rules for the general conduct of business and for the liquidation of defaulters' accounts. There were settlements in those days, but not fortnightly as now. At one time there were eight settlements a year, but they subsequently became monthly.

For a vivid description of the business in this Stock Exchange as it existed throughout the last quarter of the eighteenth century, or at all events for a vivid description of the business as it appeared from the other side of the bar to one who would not pay his sixpence, we may turn to a writer of the day who, although he understood finance, was one of the bitterest critics of the Stock Exchange and its brokers. "The noise of the screech-owl," he says, "the howling of the wolf, the barking of the mastiff, the grunting of the hog, the braying of the ass, the nocturnal wooing of the cat, the hissing of the snake, the croaking of toads, frogs, and grasshoppers—all these, *in unison*, could not be more hideous than the noise which these beings make in the Stock Exchange." The italics are his own.

As to these beings themselves, apart from their noise, their contemporary critic had something further to say. After pessimistically premising that the general actions of humanity

tended to mutual deception—that life is a drama in which mankind, in perpetual masquerade, are playing and imposing upon each other—he goes on to point out that in the vast scene there are none more active or more strange than stock-jobbers. “I know not what species they belong to, whether fish, men, birds, or beasts. A Stock-jobber is called a *bull*; and he is also called a *bear*. The *bull* contracts for the purchase of stock, but, probably, being unable to pay for it, he sells it again, at the chance of gain or loss, before the settling day arrives. The *bear* is the animal that contracts to sell stock; but he sells, perhaps, more than he is possessed of (perhaps possesses none at all), and is yet obliged to fulfil his contract by the time agreed on. I know not why the jobber who contracts to buy is stiled a *bull*, except that he appears, when a loser, as surly as that animal: the term can have no classic origin, as these beings are in general illiterate, and have never heard of the bull-offerings to Apollo. From the structure and aspect of the *bear*, as described by the French academists, this creature may somewhat resemble the unsuccessful Stock-jobber, by the heaviness and gloominess of his appearance.”

Despite our critic, it was impossible in those days to draw a sharp dividing line between the character of stockjobbers, bulls and bears, on the one hand, and of other members of the community on the other. Many members of the Stock Exchange there were who served

two masters ; there was no rule in those days, as there is now, forbidding members, let alone their wives, to carry on other business. Thus we find a highly pictorial professional card of Mr. Morgan Vaughan, not only advertising his address as "No. 7 Finch Lane, Cornhill," but describing him as "Hatter, Hosier, and Stock Broker."

Amongst the bulls and bears of hideous noise and doubtful reputation who frequented the Threadneedle Street Stock Exchange there were not many Jews. Although dealers of the Hebrew persuasion have always taken a prominent part in the business of the stock markets they were subjected in less enlightened times to the same race hatred, to the same exclusion, to the same disabilities in the financial world as in the world political and social. For a considerable period the number of Jewish brokers who could be licensed by the City of London was limited to a dozen, and, as can easily be imagined, there was ardent competition for every licence, accompanied by the silver medal token, that chanced to become vacant. As an illustration of this state of affairs, which nowadays seems so strange, may be repeated the story of the Wilkes repartee. A Jewish candidature for a coveted brokership in those days, when all was bribery and corruption, was in almost every case backed up by a liberal present to any one with influence in the Corporation, and especially to the Lord Mayor himself when he could be thus approached. The practice

became so generally recognised that when the bluff Wilkes was Lord Mayor in 1774 he most openly calculated upon the emolument which succession to the Jewish brokerage would bring him. When at last such succession became probable through the serious illness of one of the twelve privileged Jewish brokers the sedulous inquiries made by Wilkes as to the progress of the dying man became quite a scandal, and the subject of all kinds of badinage on the Stock Exchange and in Change Alley. The dying man's son obtained an interview, and boldly reproached Lord Mayor Wilkes to his face with desiring the death of his father. The Lord Mayor's protestation was ambiguous and equivocal. "My dear young fellow," said he, "you wrong me. I would rather see all the Jew brokers dead than your father."

As a matter of fact, some of the most prominent members of the Stock Exchange at this time hailed from the north, even as the notorious Alexander Fordyce had crossed the Border in the last days of Change Alley. After his fall he was succeeded, in prominence and renown, by one named Atkinson. He made about half a million for himself in 1785, and, unlike his predecessor, managed to keep it, involving his friends in no ruin. On the contrary, the story is told that he multiplied by ten the sum of a thousand pounds with which a lady companion at the dinner-table of a friend entrusted him. The question of his speculative prowess being the subject of remark at the table, he jocularly

undertook to use the money with advantage for three years, and the ten thousand pounds was paid over the very day the fantastic contract expired.

The American war had added £104,000,000 to the National Debt, loan after loan being issued during the four years that the war lasted. It was to the stockdealers that the Government looked for subscriptions, and the loans were duly subscribed, although the number of original applicants strikes us, in view of popular war loans since, as rather small. For the loan of 1778 there were 240 applicants, for the loan of 1779 there were 600 applicants, for the loan of 1780 there were 1100 applicants, and for the loan of 1781 there were 1600 applicants. The borrowing of course was chiefly from the financier and the politician, not direct from the investor. Naturally the loans made for a losing war were anything but popular, and what made matters worse was the charge of unfair allotment freely brought in the market against the Government officials. In the case of the 1778 loan the price of the Funds fell heavily between the receipt of applications and the despatch of the allotments, in which there was a great deal of delay. The anxiety of the Stock Exchange, of brokers, merchants, and bankers who had applied for the loan, was found to be justified when finally the allotment was made. The friends of Ministers, the members of Parliament, those who had political influence, received no allotment whatever, although in the ordinary way

they must have subscribed. Those who were financiers rather than politicians were deluged with the stock. Three years later, when the next loan was issued, a premium was well established, and the political influence received a large share of the allotment. Libel actions in this connection were not infrequent. In 1786 the *Morning Herald* and the *General Advertiser* gave increased currency to the prevalent rumour that Pitt was using official information for the purpose of speculating on the Stock Exchange. A special instance of a ten-thousand-pound bargain was cited. But the printers were prosecuted, and one was mulcted in a fine of £250 and the other in a fine of £150, although they had the benefit of the defence of Erskine the renowned. Again, four years later, the *Argus* deliberately charged Pitt with having falsified an official *Gazette* announcement, and with having withheld important political news until he had had time to speculate. The prosecution of the editor resulted not only in fine and imprisonment, but in the early death of his paper.

Twenty-five failures of stockbrokers occurred almost simultaneously in the year 1787. Or, to use the parlance of the evening Press of the day, "twenty-five lame ducks waddled out of the Alley." The deficiency involved was estimated at some quarter of a million sterling. The fellow-dealers of the defaulters not unnaturally took alarm, for such a state of affairs was unprecedented. A meeting of members was hastily summoned to consider what steps, if

any, could be taken to discourage such failures, and the moral pillory was decided upon. The names of those who could not meet their liabilities and who refused to disclose the names of the principals through whom the losses were sustained were to be publicly exposed in the market. That day, in 1787, was originated the Stock Exchange blackboard. It was placed in a conspicuous part of the House, and for many many years it was the spiteful practice to paint the defaulter's name upon it so that it should remain there to his permanent disgrace. Nowadays the names of defaulters are affixed to the notice-boards of the House for a few hours only.

The last few years of the century—and, for the matter of that, of the Sweeting's Alley Stock Exchange—were overshadowed by the expensive war with France. Early in 1797 some French troops actually landed in England, or at all events on the Welsh coast, and in the general consternation which ensued the Government issued an order for the stocks of all farmers near the coast to be driven into the interior. But it was not only the stocks of the farmers that were affected. Pitt's insatiable demands upon the Bank of England led to a suspension of specie payments, and the financial world was involved in panic. Ere it had wrought its wreck the Funds and Bank stock were reduced to little more than half the prices they had previously touched. They had never been so low before and were never to be so low again. Thus :

		Highest price before 1797.	After the 1797 panic.
Three per Cent Consols	.	97 $\frac{1}{4}$	47 $\frac{3}{4}$
Four per Cent Consols	.	105 $\frac{5}{8}$	60 $\frac{5}{8}$
Five per Cents	.	120	72 $\frac{3}{4}$
Bank Stock	.	219	121 $\frac{1}{4}$

Such was the dire result of the panic of 1797, although recovery soon set in. Despite war and panics—or perhaps because of them and the speculative business they induced—the Stock Exchange continued to flourish, and at the end of the century it was decided to rise to higher things; to secure land in Capel Court opposite, to erect a building, and to make the Stock Exchange a closed market. The decision may have been hastened by some such frauds as the very curious one which is worth citing; a fraud for which another stockbroker, like John Rice many years previously, suffered the penalty of death. To Mr. Martin, a broker, came a young gentleman of somewhat effeminate appearance, but businesslike and of good address, desiring him to sell £16,000 worth of scrip. Mr. Martin was in the act of courteously explaining that it was usual for a new client to bear some introduction—the rule seems to have been then as it is now, no broker takes a client without an introduction—when the stranger pointed to another well-known broker, Mr. Lyons, who most opportunely happened to be standing near at the moment. On being accosted, Mr. Lyons, playfully protesting that the business ought to have been brought to him, readily recommended the stranger and the re-

commendation was as readily accepted. Some £10,000 worth of the scrip was sold, but in disposing of the balance it was discovered that the documents were forged. Investigation followed and resulted in the apprehension of Lyons, who pleaded guilty. The stranger—the effeminate client—was his sister.

Whether or not fraud was considered easier in an open market than in a closed one, there were of course other reasons, and far more weighty ones, for the new reorganisation of the Stock Exchange and for the movement which resulted at the beginning of the nineteenth century in placing the institution on much the same footing and on much the same site as we have it now. By the process of evolution the Change Alley mob which had become the open Threadneedle Street Stock Exchange was to become the exclusive Stock Exchange as we now know it at Capel Court. It was just at the end of the century that the agitation gathered its full force. The proprietary of the Sweeting's Alley institution had become extremely limited, and it was the desire of the few proprietors to organise a small, select, and exclusive membership from the great mass of irresponsible dealers, many of them of poor repute, who gained all the privileges of the market by the payment of sixpence a day. Moreover, it had become apparent that the indiscriminate admission of the public was calculated to expose the dealers to the loss of valuable property. What was equally im-

portant, it had also become apparent that the Rooms did not afford sufficient accommodation for the transaction of the greatly increased business arising out of the creation of loans hitherto unprecedented in amount. It was proposed to change the diurnal payment of sixpence to an annual subscription of ten guineas, and to place a low limit to the number of members. Of course such a proposal met with violent opposition, and eventually a compromise was arranged. Mr. William Hammond and other gentlemen who had acquired a site in Capel Court and its immediate neighbourhood, described as "a central situation," succeeded in 1801 in raising a capital of £20,000 and in founding the Stock Exchange of the present day.

The end of the habitation of the Stock Exchange at the corner of Sweeting's Alley was fire; as has been shown, the other habitations of the Stock Exchange—the second Royal Exchange and Change Alley—suffered similarly.

CHAPTER VI

THE STOCK EXCHANGE IN THE BANK OF ENGLAND

Description of the Rotunda—Boisterous business and the beadle—A terrified client—Some of the cries of the market—How to deal in the Funds and with your broker—Speculation and stockjobbing from a philosophic point of view—The Funds from 1760 to 1800—Consols at the lowest ever touched in 1797—Anterior to the cheque—About holidays; origin of 1st May and 1st November—Expulsion of the Stock Exchange from the Bank of England.

MEANTIME, from 1764, when the Rotunda of the Bank of England was built, it had been what we should now call the Consol Market, the market for Government securities. Indeed it was a disregarded law that dealings in the Public Funds should not be transacted elsewhere. Until about the time when Queen Victoria ascended the throne, that is for practically three-quarters of a century, the officially recognised market for dealings in the Public Funds was the Rotunda of the Bank of England—the same Rotunda in which most of the public business in Boer war loans has been transacted in recent times, whither subscribers

have resorted, for instance, to pay their calls. It was not until 1838 that brokers generally were excluded from doing business there, and then the only Consol Market was at Capel Court. Of the few brokers who were allowed to continue the use of the Rotunda in a limited degree some half-dozen survived until comparatively recently. They were outside brokers who shared with members of the Stock Exchange and bankers the privilege of identifying clients who came to the Bank to make transfers of Government stock. A list of members of the Stock Exchange who are brokers, with their addresses, is still exhibited just inside the Bartholomew Lane entrance of the Bank of England.

When rebuilt in 1795 by Mr. Soane, the Rotunda formed a circle of 57 ft. diameter in plan and about the same in height. Branching out of it were the various offices appropriated to the management of each particular stock; and in each of these offices, under the several letters of the alphabet, were arranged the books in which the amount of every individual's interest in each particular fund was registered. If the fundholder entered the Bank from Bartholomew Lane he passed, on his way to the Rotunda, the Bank Stock Office on his right, and the Three per Cent Consols Office on his left. But the principal entrance into the Bank was from Threadneedle Street, and on the east side of the entrance was the passage leading to the Rotunda. "Here," said a writer

at the beginning of this century, "from the hours of eleven to three, a crowd of eager money dealers assembles, and avidity of gain displays itself in a variety of shapes, truly ludicrous to the disinterested observer. The jostling and crowding of the jobbers to catch a bargain frequently exceed, in disorder, the scramble for places of the rudest crowd that assembles at the doors of our theatres; and so loud and clamorous at times are the mingled voices of buyers and sellers that all distinction of sound is lost in a general uproar. On such occasions, which are by no means unfrequent, a temporary silence is procured by the beadle or porter of the Bank. Dressed in his robe of office, a scarlet gown, and gold-laced hat, he mounts a kind of pulpit, holding in one hand a silver-headed staff, and in the other a common watchman's rattle. By an athletic exercise of the latter over the heads of the crowd, he occasions a clattering noise that overpowers the stoutest lungs, and consequently compels the separation of this vociferous mob of stock-jobbers. The Rotunda as a building," concludes this description, "has nothing to recommend it to peculiar notice. It has a large dome, through the cupola of which light is admitted and in the centre of which is a wind dial."

But for a really detailed description of Stock Exchange business in the Rotunda we must turn to Hales. Mr. Charles Hales was a harsh critic and a gloomy pessimist in all things relat-

ing to stockjobbing. In fact he wrote a book towards the end of the eighteenth century with the express and avowed purpose of giving a clear and full explanation of the process of buying and selling stock in the Bank of England so that any one might deal without consulting a broker. The incident which immediately led to the production of this work is enlightening. Mr. Hales, as he told the world in his preface, observed a man who had come into the Rotunda for the purpose of purchasing stock. The scene was apparently too much for the stranger, who was totally unacquainted with the routine of the business. Abashed, the full force of his ignorance came upon him and he turned to hurry away as he had come in. He would not make the intended investment for the fear of losing his money. "And indeed," adds Mr. Hales, "such is the rudeness as well as noise of the bulls and bears as sufficiently justify such apprehension in strangers." For the sake of the timid it is perhaps as well that the doors of the Stock Exchange are to-day open only to members. Mr. Hales would not, however, "advise any timid person to place money in the Funds; for instead of relieving themselves of anxiety they increase it on any depression of stock by false reports of designing men." We ought, perhaps, to dilute any description by such a pessimist. Here, however, is his account of dealings in the Rotunda in its entirety, unexpurgated:—

"The beadles are provided with rattles,

which they occasionally spring, to drown their noise, and give the fair purchaser or seller room and opportunity to transact their business ; for that part of the rotunda to which the avenue from Bartholemew-lane leads, is often so crowded with them, that people cannot enter. About twelve o'clock the scene of noise and confusion commences ; and the *Funds* are in a continual state of fluctuation by the schemes and devices of these *torpedos*, whose electric organs shock the whole funded system ! It is to *Stock-jobbing* that we are indebted for the various rumours of victories, of defeats, etc., without a syllable of truth in them. Dreadful news comes from abroad, conveyed by some foreign jobber to the jobber at home ; the latter knows what is meant ; the object is to depress stock ; he therefore spreads the news. The Funds tumble ; the proprietors tremble,—at least the credulous and timid part. They sell their stock, and soon repent ; for, in a few days, some capital intelligence arrives, contradicting former reports, and raising the stocks to a higher price than that at which the proprietors sold. A late shameful imposition on the public, by the forgery of the French paper, *L'Eclair*, is a recent proof of the infamy of *Stock-jobbing*. The scene opens, I say, about twelve, with the prices of stock, the calling out of names, the recital of news, etc., much in the following manner :

“‘A mail come in—What news ?—what news ?—Steady — steady — Consols for to-

morrow—Here, Consols?—You, old *Timber-Toe*, have you got any Scrip?—Here, Scrip!—Scrip!—Private advices from—a wicked old Peer in disguise sold—What do you do?—Here, Consols!—Consols!—Letters from—a great house has stopt—payment of the Five per Cents commences—across the Rhine—the Austrians routed—the French pursuing!—Four per Cents for the opening!—Four per Cents—Sir Sidney Smith exchanged for—Short Annuities!—Shorts!—Shorts!—Shorts!—A messenger extraordinary sent to—Gibraltar fortifying against—a Spanish fleet seen in—Reduced Annuities for to-morrow—I'm a seller of—lame ducks waddling under a cloud hanging over—the Cape of Good Hope retaken—by—Lottery tickets!—Here, tickets!—tickets!—tickets!—The Archduke Charles of Austria fled into—India Stock!—Clear the way there, *Moses*!—Reduced Annuities for money!—I'm a buyer!—Reduced!—Reduced!—[*Rattles Spring*] What a d—n'd noise you make there with the rattles!—Five per Cent!—I'm a seller!—Five per Cents!—Five per Cents!—The French in full march for—the Pope on his knees—following the direction of his native meekness into—Consols!—Consols!—Smoke the old girl in silk shoes there!—Madam, do you want a broker?—Four per Cents!—The Dutch fleet skulk'd into—Short Annuities!—The French Army retreating!—The Austrians pursuing!—Consols!—Consols!—Bravo!—Who's afraid?—*Up* they go!—*Up* they go!—

"De Empress de Russia dead!"—You lie, *Mordecai*,—I'll stuff your mouth with *pork*, you dog!—Long Annuities!—Long Annuities!—Knock that fellow's hat off there!—he'll *waddle* to-morrow—Here,—Long Annuities!—Short Annuities—Longs and Shorts!—The Prince of Condé fled into—Pichegru marching for—Moreau's headquarters in—Consols for to-morrow!—You, *Levi*, you're a thief, and I'm a gentleman!—Great news by McWiffin, from Count Mouschin Pouschin!—Scrip!—Scrip!—An express from Vienna!—Moreau retreating!—the Austrians following!—Here Consols!—News from the East!—I'm a buyer of Consols!—All alive at the Cape!—The Dutch fleet captured!—British fleet triumphant!—Bravo!—*Up* we go!—*Up* we go!—*Up*!—*Up*!—*Up*!—Imperial Annuities!—Imperial!—Imperial!—Get out of my sunshine, *Moses*, you d——n'd little stinking Israelite!—Consols!—Consols!—etc. etc.'"

Then the gentle Hales goes on to tell the investor how he should deal with the broker amidst these ear-splitting cries: "You will find in the rotunda of the Bank, between twelve and one o'clock, great numbers of persons assembled. Among them are plenty of brokers ready to do your business. Persons unacquainted with the business, on entering this part of the Bank, enquire for a broker. They tell him they want to purchase so much stock. He acquaints them with the market-price; and they agree to it, without knowing whether it be

the real price or not. The stock is bought—the purchaser accepts it—and the broker who has bought, or the broker who has sold, puts what is called a *turn* into his pocket (turn of the market) that is, an eighth, which the simple principal knows nothing of. To avoid such imposition, you should see yourself what the market-price is, and trust not to any broker.

“In the centre of the rotunda there is a large desk, where you will see people filling up printed receipts ; and at the corner of each receipt the price is set down. There are also tables in other parts of the rotunda, where the same business is transacted. Any person will tell you the price ; and, when you know it, you will see whether, and how, the market fluctuates and you must then be your own judge as to purchasing. Direct your broker, instead of being directed by him—order him to buy at such a price. If the stock suddenly rises while he is about to purchase, it may as suddenly fall. You may wait the fall ; or, if you have reason to think it will not fall, buy at the present price, lest it should rise still higher : but at all events judge for yourself. Your broker considers only his own interest—you are to consider your’s.” After this it is reassuring to read an admission on the part of Mr. Hales. “I must in justice, however, say, that among the number of Brokers who do business in the Funds, there are some very respectable characters.”

Mr. Hales is philosophic and eloquent indeed on the insidiousness of speculation, al-

though his advice to the speculator is so precise. "There is not, perhaps, in the whole catalogue of human frailties, a practice which more debases and enslaves the mind than *Stock-jobbing*: a propensity to it discovers itself, by the most violent symptoms, in persons who are its dupes; and it has ruined numbers of individuals; for the chance of gaining is not so flattering as some people think; nor is there any certainty of being paid. Persons of high rank, however, addicted to gaming, have been considerable jobbers in the Funds, though there is not a vice incident to polished life which can be less vindicated by any man of real honour; it not only enslaves the heart, but deadens it to every sentiment of humanity: its object is pursued with anxiety, possessed with inquietude, and lost with misery: it excites a continual war between reason and the senses; absorbs every generous principle; keeps nature perpetually on the rack; breaks in upon all the enjoyments of friendship, all those pleasures which flow from pure and simple virtue; and makes its victims appear more like culprits dragged to a prison, than rational characters associated for mutual happiness. The face is the hideous caricature of some tormenting passion; the eyes hunt for deformity; the ears listen for tales of horror, as gratifying to a disturbed and disappointed mind: the whole aspect appears gloomy, morose, and dejected: the throat of brass, from which *Consols* once thundered, is become mute; and the lungs

of adamant, which vociferated *Scrip ! Scrip ! Scrip !* have ceased to play!"

The Funds, as we have seen, touched the lowest price to which they ever sank in 1797. In 1760, on the accession of the Third George, the Three per Cents fell half-a-dozen points, from 83 to 77; from 1777 to 1781 they averaged even lower, but the latter year was the year of disaster in which Lord Cornwallis surrendered to General Washington and our fleet to the Admiral of France, and Consols fell to $63\frac{1}{4}$. By 1786 they had recovered to 70 and they rapidly rose until in 1790 they stood at 81 and in 1792 at 97. In 1792, however, owing to the violent proceedings of Robespierre and the Jacobins in France, and to the fear of war which led to the levying of our militia, there was a sudden drop of as much as twenty-five points in Consols to $72\frac{1}{2}$. They fell no fewer than fifteen points in a week, from $89\frac{1}{2}$ to $74\frac{3}{4}$. Five years later, in 1797, they touched low-water mark. The successes of the French and the matiny in the Fleet brought them down on 20th September to $47\frac{3}{8}$. The attempted negotiations with the French Republic had failed, and the news transpired at that time.

The remark of one mentor of the day throws an interesting light on the time when cheques were conspicuous by their absence. "On buying stock it is usual to pay as much as possible in Bank notes to prevent the trouble of counting cash or examining whether it be

weight or not. The broker's demand is 2s. 6d. for the purchase of £100."

At this time and for long afterwards the dividends on the Funds were paid half-yearly. Until 1717 they were paid quarterly, as now, but on the Bank of England undertaking the duty of distribution in that year it stipulated that the payments should be made half-yearly. It was in the days when the principal pabulum of Stock Exchange dealing consisted of the Funds and similar securities, of which the Bank of England had the management, that the First of May and the First of November became established as Stock Exchange holidays. Most other holidays the Stock Exchange enjoys in common with the other institutions of the country, but the First of May and the First of November are days of vacation peculiarly its own. It is not that the one is a Saints' Day of the Church and that the other is All Saints' Day. The House was originally closed on these two days because no transfers of the Funds could be made, the books at the Bank of England being closed for the purposes of balancing. Nowadays there is ample to keep the Stock Exchange occupied quite apart from dealings in the Funds, which form but a small proportion of House transactions, but then it was not so. The holiday custom is still maintained, and who is he who would abolish it? But stockbrokers certainly did not lack holidays at the end of the eighteenth century. Here is a list published in 1795 :

January 1, 6, 18, 25, 30.	July 25.
February 2, 28.	August 12, 24.
March 25.	September 2, 21, 22, 29.
April 25.	October 18, 25, 26, 28.
May 1, 18, 29.	November 1, 4, 5, 9, 30.
June 4, 11, 24, 29.	December 21, 25, 26, 27, 28.
Ash Wednesday.	Holy Thursday.
Good Friday.	Whitsun Monday.
Easter Monday.	Whitsun Tuesday.
Easter Tuesday.	

Besides its regular holidays the Stock Exchange nowadays frequently gets a Saturday off in the summer, the ostensible reason for closing the House put forward almost invariably by the Committee being "structural alterations," which are always going on. The average member, however, accepts the holiday, whatever the excuse, with the eagerness of a schoolboy. In the middle of 1900 the Committee attempted to make an early closing experiment, announcing that the House would be closed at noon on 2nd June instead of at 1.30 as usual. But there was such a howl of indignation at what was called the piffling measure, that the idea was abandoned. About the same time a handsome presentation was made to a member who for years had taken the lead in petitioning for holidays—the Committee usually requires a petition. The presentation took the form of a silver inkstand from which to indite more petitions.

Quite early in the nineteenth century the Rotunda had fallen into a market of much inferior status to the Stock Exchange itself, by this time well established at Capel Court. By

a writer in 1816 it was described as “the private market” (that is, the exclusive Stock Exchange) “in miniature ; a number of people standing in a heap, who call themselves jobbers and brokers ; and, of course, a market to serve any person who deals with them ; but as no great bargains are contracted for here, these good things being reserved for a select few in the private market, the jobbers, who are chiefly of little note, are glad if they can pick up a few shillings for a day’s job by cutting out money stock for servants’ and other people’s small savings.”

Finally, the stockbrokers as a body were eventually compelled to quit the Rotunda. But it took an Act of Parliament to expel them. A clause was inserted in the Bank Act of 1834 which enabled the Governor to shut the doors of the Rotunda in their faces. As a commentator subsequently remarked, the Government did not perhaps realise at the time that in accepting the clause it was closing the only semblance of an open market for the exchange and transfer of the National Funds. Soon afterwards Sir Timothy Curtis took advantage of the clause in the Act and put his foot down. He gave the brokers notice to quit and treated them with little ceremony. The Rotunda had been for three-quarters of a century the resort of all kinds of characters, many of whom at the time of their expulsion had no offices of their own. Only a few of them were members of the Stock Exchange, by this time of course well established at Capel

Court. But the action of the Governor, and especially the method of it, was very unpopular throughout the City ; and when misfortune subsequently overtook him, and his bankruptcy was announced, the news was received in the Stock Exchange with cheers.

CHAPTER VII

THE FIRST DECADE AT CAPEL COURT

Reasons for building the Stock Exchange—The deed of settlement—Something about the site—The foundation-stone—First list of managers—Description of the building—Five hundred members—Some phases of House life—A Stock Exchange without written rules—History of the “Official List”—Panic, with twenty-one failures, in 1801—The Loyalty Loan and the Government’s bad bargain—A hoax of the French War—The Lord Mayor’s yoke again—Mark Sprot—The Goldsmids, with their tragic end—The daring Daniels—A Stock Exchange member expelled the House of Commons—Movement for a rival institution.

At the beginning of the nineteenth century the Stock Exchange was established at Capel Court. The building was commenced early in 1801, and it was opened with some ceremony early in 1802. The Stock Exchange has remained there throughout the century that has elapsed, although the structure was entirely rebuilt in the middle of it, and has been greatly extended since; similarly the constitution has remained almost unchanged in principle, although the developments of business have been enormous.

During the war with France, which lasted

from 1793 until the peace of 1801 was declared, the National Debt was again heavily increased. This, with other influences, piled importance upon the Stock Exchange, and hastened the consummation of the idea, long entertained, of forming a body of the members properly organised and constituted. Until then, as has been shown, the market had been open practically without restriction to whosoever might choose to use it, without guarantee of respectability, of standing, of honesty, or of any quality whatever. Those who called themselves brokers made up a mixed multitude, which included the financier, who could deal in his hundreds of thousands, and the man who was there to pick his pocket. The idea of organising a properly regulated society of members, to be elected by ballot, who should have a suitable rendezvous of their own, was received with the utmost enthusiasm by the respectable dealers in the market. It was decided to choose a site as near the Bank of England and the existing Stock Exchange in Sweeting's Alley as possible, and Capel Court was selected. It was also decided to admit only acceptable subscribing members.

To erect the new structure and formulate the new constitution a Committee for General Purposes, consisting of the nine promoters of the scheme and twenty-one other proprietors, was formed mainly from the members of the House in Sweeting's Alley, and this body held its preliminary meetings at the Antwerp

and other taverns situated in the neighbourhood of the Royal Exchange. They raised a capital of £20,000 in 400 shares of £50 paid in a very short time, and proceeded to elect members of the new Stock Exchange by ballot at a subscription of ten guineas each.

The deed of settlement which was, of course, necessary in connection with the foundation of the new Stock Exchange, was executed on 27th March 1802. The motive of the foundation was formally recited in this deed. Whereas, it said, the Stock Exchange in Threadneedle Street, where the stockbrokers and stockjobbers lately met for the transaction of their business, had been found to be inconvenient, William Hammond and others who were appointed trustees and managers of the undertaking, came to a resolution to erect a more commodious building for the purpose. These enterprising gentlemen, the deed went on to recite, had "caused to be erected a spacious building for the transacting of buying and selling the public stocks or funds of this kingdom, and the same is now nearly finished and is called the Stock Exchange and is intended to go under that appellation." The deed further provided that the management, regulation, and direction of all the concerns of the undertaking should be vested in a Committee consisting of thirty members or subscribers to be chosen annually by ballot upon 25th March. The treasuryship and management of the building were, on the other hand,

placed by the deed under the sole direction of nine trustees and managers, separate from the Committee, as representatives of the proprietors. The arrangement continues to-day.

The site, as regards its position, could not have been better chosen. Premises were taken to be pulled down and rebuilt at the top or east end of Capel Court. Considerably longer than it is now, Capel Court had been named after Sir William Capel, who was Lord Mayor of London in 1504, in the reign of Henry VII., the grandsire of Queen Elizabeth. But even at the time of Queen Elizabeth the shape of the Stock Exchange as it now exists was outlined in the triangular wedge-shaped block of buildings which had Bartholomew Lane for its base. The block in those days gone by was, as it is now, bounded on the north by Throckmorton Street, named after Sir Nicholas Throckmorton, and on the south by Three Needle Street, which derived its title from the arms of the Needle Makers' Company. It was in olden times indeed that the Augustine Friars, the Austin Friars, founded their monastery; when the Marquis of Winchester, in the reign of Henry VIII., built his Winchester House hard by; when tokens were founded in Founders' Court and Tokenhouse Yard; whence Stowe ascribes the name of Lothbury to "the loathsome noises made by the coppersmiths and braziers in rasping and scrating." The Stock Exchange now stands in two parishes, those of St. Bene't Fink and St. Bartholomew-by-the-



From an old print.

SITE OF STOCK EXCHANGE IN QUEEN ELIZABETH'S TIME.

$$\begin{aligned} & \mathcal{L}(\mathcal{P}^{\text{opt}}) \leq \\ & \mathcal{L}(\mathcal{S}^{\text{opt}}) \leq \mathcal{L}(\mathcal{W}^{\text{opt}}) \end{aligned}$$

$$\mathbf{S}^{\mathbf{u}}$$

Exchange. Both churches are of course extinct now. St. Bene't Fink stood at the south-west end of Threadneedle Street, upon the site of another church built as early as 1323. St. Bartholomew - by - the - Exchange stood at the corner of Bartholomew Lane, opposite the Royal Exchange, and had been rebuilt in 1679. But we are at the beginning of the nineteenth century, not at 1323, or even at the reign of Queen Elizabeth. For the erection of the new Stock Exchange, and for its subsequent extensions, Bartholomew Court and Craven Court, leading out of Throgmorton Street, and Britain's Yard and French Court, leading out of Broad Street, besides many minor courts, had to be demolished. At the very outset the Debating Forum and Mendoza's Boxing Room had to go.

The foundation-stone was laid on 18th May 1801, the ceremony being performed by Mr. William Hammond, the Chairman of the Managers. The stone was lost during the utter demolition and rebuilding of the House in the middle of the century, and was not discovered again until the eighties. A new strong-room was being constructed, and the stone accidentally came to light. It is now to be found in the strong-rooms which lie below the Indian Railway market. This is the simple inscription which is cut in black letters on the dark-gray stone:—

Foundation Stone
Of the Stock Exchange
Laid 18 May 1801

Discovered April 1883 in this
wall and found to contain only a record plate
which was replaced.

The line which divides the inscription is a small slip of iron. Just within that metal lies the record plate, and this, made of copper, bears the following inscription :—

“On the 18th of May, in the year 1801, and forty-one of George III., the first stone of this building, erected, by private subscription, for transaction of business in the public funds, was laid, in presence of the proprietors, and under the direction of William Hammond, William Steer, Thomas Roberts, Griffith Jones, William Grey, Isaac Hensley, Jo. Brackshaw, John Capel, and John Barnes, managers; James Peacock, architect. At this æra, the first of the Union between Great Britain and Ireland, the public funded debt had accumulated in five successive reigns to £552,730,924. The in-violate faith of the British nation, and the principles of the constitution, sanction and secure the property embarked in this undertaking. May the blessing of the constitution be secured to the latest posterity!”

The site of this new Stock Exchange is now occupied by the mere Consol Market of the House. The building occupied an area of four thousand square feet. One description, written

early in the century, describes it as a commodious building with a handsome, well-appointed room. Another describes it as "a neat, plain building fronted with stone to the attic story, which is of brick. In the interior, under the clock, at the south end, is a tablet, exhibiting the names of such defaulters as have not been able or willing to make their payments good. On the east side, a recess is appropriated for the Commissioners for the Redemption of the National Debt, who make their purchases four times a week. The hours of business are from ten to four; and there are three entrances besides that in Capel Court." One of these entrances, on the south side, was through the Hercules Tavern. The landlady, with an eye to profit, granted permission for the passage to be made.

For many years after the Stock Exchange was comfortably established, a crowd of dealers in stocks remained outside, claiming the freedom of the Change Alley and Sweeting's Alley days; and their ranks were sometimes augmented by those who had failed in the House. At one time they made their market place in Capel Court itself, just outside the door of the House, where, we are told by a contemporaneous writer, "a number of Jews, shopkeepers, and tradesmen assemble. These men hearing what is going on in the market (as they speculate also upon the price established there), they will give advice to strangers, who may be on the look-out to make, as they expect, a speedy fortune by

dabbling in the stocks. If they find a person to be respectable, they will offer to do business with him on the principle of their brethren inside the House, and also exact the $\frac{1}{8}$ per cent as they do."

At first the feature of the interior architecture of the House was an arrangement of piers and arches, but these arches were subsequently replaced by Ionic columns. It was not without hesitation that the change was made, the managers naturally feeling that it might bring the House about their ears. But the advice of Mr. J. J. Cole, who was subsequently to become the architect of the Stock Exchange, was taken, and the improvement was boldly and successfully made.

There were considerably more than five hundred members of the Stock Exchange, besides clerks, when it commenced its Capel Court career, and the reminiscences of one of them afford an interesting and amusing description of some phases of House life at the time. We find him regretting the time when Mendoza's Boxing Booth passed from 2 Capel Court, describing how, instead of knocking prices about, a member could go and knock somebody else about or get knocked about himself. An old woman, it appears, had a stall inside the House, close to the Capel Court door, where members could feed on buns and other substantial delicacies of a kindred nature. She eventually retired from business because the Stock Exchange was such a wicked place, and



THE FIRST STOCK EXCHANGE IN CAPEL COURT.

UHES & S

because she had made a small fortune. A gallery ran round the House at the time, and seats and desks were fitted up for clerks and members. The gallery was very convenient, because if a member required a book he simply called up to a clerk, who would throw it over! Other things besides books fell upon the unsuspecting from that gallery. "We used to buy our own chops and steaks in those days," continues the reminiscent member, "and take them to a cook-shop or chop-house and have them cooked, paying a penny for the privilege, and being furnished with vegetables, bread, and drink. That is the origin of all the cooks at the chop-houses, as distinct from the waiters, expecting a penny at the present day. The modern dining-rooms were not even imagined. But over almost every bargain a glass of sherry used to be drunk."

For the first decade of its existence at Capel Court the Stock Exchange was without printed rules. It is true that from time to time regulations were passed, and these were entered on the minutes and were duly enforced. But it was not until the year 1812 that the Stock Exchange had a formal law unto itself; it was not until that year that the regulations were formulated, codified, printed, and produced as a Book of Rules, which has since been enlarged and amended into a puzzling complexity of legislation.

But by the year 1803 there was an official price list. Its genesis has been shown in a previous chapter, where we left it in the hands

of John Freke. In 1718 the name of Freke disappeared from the list, being succeeded by that of John Castaigne, who was a stockbroker, and the list could then be obtained not over against Jonathan's as before, but at the stationer's next door to the General Post Office. Nine years later the list was issued by J. Castaigne and E. Jackson. From 1732 it was issued by E. Jackson alone, and from 1736 by "Richard Shergold and the widow, sister of the late Mr. Castaigne, administratrix to Mr. E. Jackson, deceased." The list bore the name of the lady for many years. In October 1749 the name of George Shergold succeeded that of Richard Shergold, his father, and the address went back to "next the General Post Office." From 1791 to 1803 the list, still called the "Course of the Exchange, etc.," was issued by Edward Wetenhall of 8 Capel Court: it bore the name of Wetenhall until within a year or so of the close of the nineteenth century. On 29th July 1803 it was published by Wetenhall and Sheffield, and for the first time appeared under the authority of the Stock Exchange Committee. On 23rd June 1807 it was issued by James Wetenhall, a note showing that the partnership with Sheffield had been dissolved. At the beginning of 1811, in January, the list was more than doubled in size, and in addition to the quotation of British Funds and other securities, only twenty in number, there were now added American securities, Canals, Docks, Insurance, and Waterworks, and the price of

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Course of the EXCHANGE, &c.

LONDON FRIDAY, DECEMBER 27, 1799

Amsterdam,			
Ditto, 10 Days Date			Nothing done
Rotterdam,			
Hamburg,		3 $\frac{1}{2}$	2 $\frac{1}{2}$ U.
Altona,		3 $\frac{1}{2}$	2 $\frac{1}{2}$ U.
Paris, 1 Day's Date,			
Ditto, 2 Ufance, —			Nothing done
Bordeaux, ditto,			
Cadiz,			
Madrid,			Nothing done
Bilboa,			
Palermo			90 Pence per Oz.
Leghorn,			53 $\frac{1}{2}$
Naples,			Nothing done
Genoa,			45 $\frac{1}{2}$
Venice,			44
Lisbon,			64
Oporto,			65 $\frac{1}{2}$
Dublin,			11

Portugal Gold, in Coin	o	o	o		COCHINEAL, 21s to 23s per lb.
Ditto in Bars,	—	o	o		
5 $\frac{1}{2}$ Pillar,	—	o	5	5 $\frac{1}{2}$	
5 $\frac{1}{2}$ Ditto, small,	—	o	5	5 $\frac{1}{2}$	
5 $\frac{1}{2}$ Mexico,	—	o	5	5 $\frac{1}{2}$	
5 $\frac{1}{2}$ Ditto, New	—	o	5	5 $\frac{1}{2}$	Per OUNCE.
Silver in Bars, Stand	o	o	4 $\frac{1}{2}$		Per Q U A R T E R.
New Louis — Each			Nothing done		Wheat, — 75s to 123s

Per OUNCE. Rye, — 21s to 63s

Per Q U A R T E R. Barley — 24s to 64s

Oats, — 23s to 48s

	Wednesday	Thursday	Friday
BANK-STOCK,			Nothing done
INDIA-STOCK,			Shut
SOUTH-SEA STOCK,			Shut
Ditto Annuities,			Nothing done
Ditto New,			Shut
3 per Cent. Bank reduc.			62 $\frac{1}{2}$
3 per Cent. ditto consol.			63 $\frac{1}{2}$
Ditto, — 1726,			Shut
3 per Cent. Ann. 1751,			Nothing done
4 per Ct. conf. Ann. 1780			Nothing done
5 pr Ct. Navy, &c. Ann.			Shut
5 per Cents. 1797 —	Christmas Day.	St. Stephen.	91
Bank Long Ann. Ys Pur.	No Business.	No Business.	Nothing done
Short ditto, Ys Pur.			Nothing done
Omnium			Nothing done
Royal Aff. 100 pd in,			Nothing done
Lond-Aff. 12110 pd in,			Nothing done
5 per Ct. India Bonds,			Nothing done
3 $\frac{1}{2}$ Exchequer-Bills —			Nothing done
Commercial Ditto			Nothing done
English Lottery-Tickets			Nothing done
10th 5 per Cent.			Nothing done
Ditto Short Ann.			Nothing done
Imperial 3 per Cent. —			Nothing done
Imperial Annuity —			Nothing done

3 per Ct. Consol. sell as above with Dividend for Opening

Transfer-Books.	Shut.	Open.
India-Stock,	Dec. 5	Jan. 21
South Sea Stock	Dec. 2	Jan. 15
New Annuities,	Dec. 3	Jan. 10
3 per Cent. Consol.	Dec. 3	Jan. 24
3 per Cent. 1726	Dec. 5	Jan. 14
Annuities 1751,	Dec. 12	Jan. 16
5 per Cent. Navy	Dec. 4	Jan. 22

Exchequer Annuities, 1704 to 1708, inclusive, Nothing done.

Exchequer.	61d, 4 Shillings Aid, 1797,	2000000	1758060
	.62d, 4 Shillings Aid, 1798,	2000000	1485000
	63d, 4 Shillings Aid, 1799,	2000000	26000
	Personal Estates Ann. 1799,		paid off
	Malt, 1797, —	750000	paid off
	Malt, 1798, —	750000	674853

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THE PRICE LIST A HUNDRED YEARS AGO.

1970
MILANO
SOCIETÀ

Coals was still given. On 30th August 1811 the compiler resumed the addition of notes to the list giving information as to dividends, meetings, and the like, and by this time the shares of Bridges, Roads, and Iron Railways—the first was the Surrey Iron Railway—were quoted. Irish Funds were added on 18th October 1811, and three or four years later the shares of Literary Institutions and of Mines were quoted. On 20th August 1816 French Funds were introduced, and they were closely followed by the securities of Prussia, Russia, Austria, and Spain in the order mentioned. At the beginning of 1819 the shares of the Gas Light and Coke Company were quoted. This brings us to the end of the first quarter of the century, and still the list appeared only twice a week.

Peace was the preponderating influence in the markets of 1801—the new temporary peace that had been arranged with France. But it was not a sweet influence in the market. After the first effects of the new order of things had spent themselves, business settled down into gloom and stagnation after the excitement of nearly a decade. Even the first effects were disastrous in the market, for the Funds rose suddenly from 59 to $66\frac{1}{2}$, and on the next settling day there were twenty-one defaulters in the Stock Exchange. Then followed the issue of the big Three per Cent Loyalty Loan. Amongst the principal houses which financed loans in those days, besides “the gentlemen of

the Stock Exchange," were Messrs. Robarts & Co., Sir F. Baring & Co., Messrs. Goldsmid, and Messrs. Smith Payne & Smiths—names which are nearly all familiar to-day, a century later. Eighteen millions sterling was subscribed to the Loyalty Loan in a few days, the loan being redeemable at par within two years after a definitive treaty of peace should be arranged. The Treaty of Amiens was regarded as a definitive treaty of peace, and those who had obtained the loan at the heavy discount to which it had sunk naturally claimed repayment at par before the end of March 1804. The Government, unable to fulfil the terms, came to an early, a premature compromise with the holders, mainly big houses and well-known financiers who had been wise enough to buy up the loan at a discount. It arranged to give in exchange for every £100 of the Three per Cent Loyalty Loan £100 of the Five per Cent Navy Loan. Even this was not quoted at par, and the difference was made up by the issue to the holders of Three per Cents. Of course the Government lost heavily by the transaction, and by 16th May 1803 the Treaty of Amiens had become waste paper, and war was once more proclaimed.

During the peace negotiations which ended thus unhappily, the people and the Stock Exchange in particular were the victims of a remarkable hoax. Whilst the progress of the diplomatic relations was being watched with an interest that was painfully intense, a notice was

displayed at the Mansion House on 5th May 1803, to the effect that Lord Hawkesbury presented his compliments to the Lord Mayor, and had the honour to acquaint his lordship that the negotiation between Great Britain and the French Republic had been brought to an amicable conclusion. The Funds rose from $63\frac{3}{4}$ to $71\frac{1}{4}$ before the Lord Mayor communicated the news in person that he had discovered that the notice had its origin in forgery. An attempt was made the next morning to reaffirm the story, but the Stock Exchange Committee refused to open the doors of the House until the truth was ascertained. The doors were opened shortly after twelve o'clock, and the whole truth had certainly been ascertained by 18th May, when war was declared. The price touched by the Funds immediately after the discovery of the truth was 63. All bargains were declared void, and a reward raised by subscription was offered for the discovery of the perpetrators of the hoax. But all attempts to trace it to its origin were futile. War was declared despite this fictitious message to the Lord Mayor—a war which added another 263 millions to the National Debt. Yet the results of the battle of Trafalgar, as also of those of St. Vincent and the Nile, had comparatively little immediate effect on the Funds.

That crucial question between the Stock Exchange and the authorities of the City of London was again revived in the year 1805. For years untold it had been the custom of the

brokers to pay a tax of forty shillings per annum to the Corporation of the City of London, by whom they were licensed under circumstances to which reference has already been and will again have to be made in these pages. After much discussion many members of the Stock Exchange refused to pay the tax. A shoal of summonses was taken out on behalf of the Corporation, but it was arranged to accept the case of Mr. Francis Baily as the test case. He rushed into print over the matter, publishing a pamphlet entitled "The Rights of Stock-jobbers Defended." That the Act rendered it necessary for brokers to be licensed by the Corporation and to pay the tax he did not seriously dispute; in pleading that the system was vexatious, unreasonable, and unjust, Mr. Francis Baily tried to show that brokers were not brokers. He claimed that there was no more reason to regard them as brokers than to so regard many other persons "who under the name of tailors, merchants, and tradesmen, act by commission in the purchase and sale of goods." Naturally enough, the logomachist failed. It is not surprising that the Court found that brokers were brokers; that a person buying or selling stock on behalf of another came within the meaning of the Act. In short, the case for the Stock Exchange fell through; the Corporation was successful. The removal of the yoke of the stockbrokers' licence was yet not to be.

Quite early in the history of the new Stock

Exchange at Capel Court the names of the mighty became ignominiously mixed up in its affairs. Its improved status seems to have attracted the attention of high officials, who saw within its portals a place where official information could be converted into hard cash. Thus in 1805 the Earl of Moira, a Cabinet Minister, was publicly charged by a clerk of the Bank of England, Ambrose Charles, with using official intelligence to his own personal profit on the Stock Exchange. The charge was not proved—indeed its falsity was established—but it was sufficiently weighty to lead to an investigation which was undertaken at the instance of the Prime Minister of the day. Again, a notable speculator of the day, Mark Sprot, gained much prestige by the story of his firm dealing with “a nobleman of immense property.” This nobleman had refused to make up his losses with his broker, who was consequently on the verge of ruin, the unfortunate transactions of his titled principal having been heavy. The nobleman’s excuse was that it was inconvenient to pay, but the broker in his extremity sought his friend Mark Sprot, who was able, by threat of disclosure, to bring about an immediate settlement. It was this Mark Sprot who replied that he never did business with privileged persons when, during Lord Melville’s trial, he was asked whether he did not act as banker for members of both Houses of Parliament. From 1799 to 1803 Mark Sprot was at his zenith speculating in

the French war issues, contracting for lottery loan after lottery loan, and taking quite the premier position amongst speculators of the time. He died in 1808.

Two figures stand prominently dramatically forth in Stock Exchange affairs during the closing years of the eighteenth century and the opening years of the nineteenth. They are those of the two brothers, Abraham and Benjamin Goldsmid. Self-made men both, their career, with its tragic end, was marked for years with phenomenal success, with magnificence, with munificence. Early in the last decade of the eighteenth century they sprang into prominence by successfully competing with the ring of bankers as contractors for a Government loan. Although there were charges of corruption and underhand dealing in connection with subsequent public issues, especially in connection with the issue of an eighteen million loan in 1796, it is claimed for the brothers Goldsmid that by breaking this ring they broke down the system of jobbery which had prevailed in connection with such operations ; that henceforth the issue of Government loans was attended with more openness, more light ; that it was ruled less by the private influences of the privileged few. The lavish charities of the two brothers were equalled only by their shrewdness and their good fortune. To their luck must be attributed their huge gains in the lotteries ; to their business acumen the fact that in the crisis of 1793, when, on the outbreak of

war with France, in one day the Bank of England was called upon to discount bills to the amount of $4\frac{1}{2}$ millions sterling, their losses did not amount to a hundred pounds. It is true that when the peace of 1801 was arranged the Goldsmids lost £180,000 in bearing the Funds against public opinion, but it was not until the end of the first decade of last century that the swing of the pendulum came. Even as a public loan had at the beginning brought prominence to the house of Goldsmid, so did a public loan wreak its ruin. With the Barings, the Goldsmids were contractors for the loan of fourteen millions sterling issued in 1810. Sir Francis Baring died and the house of Goldsmid was unable to support the market under the fierce attack of the bear party. Day by day the loan sank in value, and as it did so the Goldsmid losses increased and the credit of the house diminished. Claims came crowding in, friends were insufficient or possessed insufficient power. Abraham Goldsmid entertained some of them at a sumptuous banquet at his Surrey mansion and there committed suicide, his brother having likewise made away with himself two or three years before. The tragic incident shook the financial world, the Funds themselves falling two or three points on the news.

The years 1807 and 1808 were characterised by much speculative activity on the Stock Exchange and by much concomitant company-promoting activity. To companies of that day we

owe Vauxhall and Waterloo Bridges, with some of the canals and other works of great public utility. In the midst of this activity occurred the great Daniels fraud involving the sum of £50,000. It was perpetrated on members of the Stock Exchange in 1807. Joseph Elkin Daniels had good credit in the House, and had indeed been a prominent figure years before in the Alley. Through his broker he bought £30,000 worth of Omnium—a mixture of the Funds—which on delivery he paid for by a draft on Smith Payne & Smiths. Without a moment's delay he took the stock and sold it to various brokers at a low price for cash under the excuse that he was pressed for money, as indeed he was. He cashed the cheques received from the brokers, and with various friends and others with whom he had had business relations he cashed his own cheques to a large amount. Before the afternoon, when the original cheque with which he had paid his broker for the Omnium was presented and dishonoured, he was on his way to the Isle of Man, the possessor, if not the happy possessor, of £50,000. In his haste the fugacious Daniels had left nearly £3000 to his own credit at his bank, and this was attached, together with all other effects upon which the law could lay its hands. A hue and cry was raised; a reward of two hundred guineas was offered for his apprehension, and ultimately he was discovered in his Manx retreat, which at that time was the proverbial resort of fugitives of similar character. The

extradition order then necessary was obtained from the Governor, and Joseph Elkin Daniels was brought back. But there was a legal flaw in the case, and he was never prosecuted. Another fraud by a member of the Stock Exchange soon afterwards led to his expulsion from the House of Commons, of which he was also a member. His name was Benjamin Walsh. He was employed by Sir Thomas Plomer in 1811 to sell securities to the amount of £22,000, and with the money to buy Exchequer Bills. It was arranged that during some necessary delay between the two operations the money should be deposited at Sir Thomas Plomer's bank, which was Gosling's. On the evening of the day the deposit should have been made Sir Thomas received an acknowledgment for £6000, Walsh assuring him that the balance of £16,000 should be made up next day. On application at his bank Sir Thomas found that the cheque for £16,000 had been deposited, but too late for presentation, and the next day it was dishonoured. Benjamin Walsh, M.P., was arrested, but on certain legal points was released, dishonour and formal expulsion from the House of Commons constituting his punishment.

The end of the first decade in Capel Court was marked by an attempt in 1810 to form a rival Stock Exchange. First the Committee was petitioned to make the House an open market, and then, as this petition did not meet with success, it was proposed to form a National

Fund Exchange for dealings in Government securities. The projectors submitted that the public ought not to be excluded from the market in which dealings in the securities of the nation were transacted, and they obtained the services of Sir William Curtis to introduce a Bill into Parliament entitling them, with certain privileges, to establish an open market for dealing in the Public Funds. For this purpose a new building was to be erected. The Bill, however, never became law, being rejected by the House of Lords. Capel Court was not to wane, but to wax in importance.

CHAPTER VIII

THE NAPOLEONIC HOAX

Government securities in 1812—A typical Stock Exchange scene of the day—The De Berenger fraud—Some strange Committee notices—Implication of the mighty—Abolition of the jobber proposed in 1816—Francis Baily, stockbroker and scientist; David Ricardo, stockbroker and economist; Horace Smith, stockbroker and littérateur; William Heseltine, stockbroker and novelist; Angelo Slous, stockbroker and dramatist, and “The Singing Peacock”—An era of Foreign Loans and the Poyais fraud—The foreign Stock Exchange at Capel Court in 1823—Schism in the House over options.

IN the lustrum which ended with the memorable year of 1815, business of all kinds on the Stock Exchange expanded rapidly. The National Debt alone was increased by 120 millions sterling during the five years. The exploits of Napoleon rendered the times exciting, and rumour was rife. His death was announced over and over again, and the Three per Cents fluctuated during those five years between 73 and 54. Indeed, in 1814 and 1815, there were sometimes fluctuations of eight or ten points in an hour. The eager eyes of the whole nation, which was throbbing

with excitement, were directed with painful intensity towards these fluctuations in Government securities, which were regarded as the best index of the state of international politics.

Here is a description of a typical scene in the Stock Exchange by a writer of the day :—“ The doors open before, and at the minute of ten the spirit-stirring rattle grates, and action. Consols are, suppose, 69 to $69\frac{1}{8}$: that is, buyers at the lower, and sellers at the higher price. Trifling manœuvres and puffing up till twelve, as neither party wish the Government broker to buy under the highest price; the sinking fund purchaser being the point of diurnal altitude, as the period before a loan is the annually depressed point of price, when the Stock Exchange have the orbit of these revolutions under their own control. At twelve the broker mounts the rostrum and opens: ‘ Gentlemen, I am a buyer of £60,000 Consols for Government at 69.’ ‘ At $\frac{1}{8}$, sir,’ the jobbers respond, ‘ ten thousand of me—five of me—two of me,’ holding up as many fingers. Nathan, the contractor’s agent, says, ‘ You may have them all of me at your own bidding, 69.’ In ten minutes this commission is earned from the public, and this State sinking fund point stockjobbed. But the House is dished, and vents its spite on the unhappy Nathan. He is hustled, his hat and wig are thrown upon the commissioner’s sounding-board, and he stands bald-pated until the porter brings a ladder and reaches it down.”

Amongst all the memorable days of the

Napoleonic excitement the twenty-first day of February 1814 stands out the most prominently in the annals of the Stock Exchange. It was on that day that the miscreants concerned in the De Berenger fraud attempted, with a considerable measure of success, to rig the Funds by means of a plot astoundingly daring, comprehensive, and cleverly devised, however strange and clumsy it may appear in these enlightened days. For a long time the Funds had been heavily depressed by the success with which the French were withstanding the attacks of the Allied Armies. Montmirail had just been fought, and Omnium had been brought down to a point as low as $27\frac{1}{2}$. But on that Monday morning the whole tone of the Stock Exchange was suddenly changed. Rumours as welcome as they were vague had reached the House that the Allied Armies were in possession of Paris, that peace was assured, that Napoleon was slain. There was of course no official announcement yet, but then on the other hand there was a great deal of circumstantial evidence. For instance, post-boys were in London who had conveyed an officer from Dover, travelling all the previous night. At the Ship Hotel he had announced himself as Lieutenant-Colonel du Bourgh, Aide-de-Camp to Lord Cathcart; and his gorgeous uniform, wet with the spray of his cross-Channel voyage, confirmed the description. Before hastening to London he had sent a despatch to the Right Hon. T. Foley, the Port Admiral of

Deal, officially acquainting him with the news of the glorious victory. In his patriotic elation, the Aide-de-Camp had naturally made no secret of the tidings; he had flung the news and a handful of napoleons—not sovereigns—amongst those who surrounded him at every stage of his journey. Such was the information which leaked into the Stock Exchange during the morning, and *Omnium*, which had opened at a flat $27\frac{1}{2}$, stood before noon at a buoyant 29, having touched 30. Those who hastened forth to obtain official confirmation encountered on the way a carriage - and - four. Indeed, all London had soon seen or heard of that carriage which passed in triumphal procession through the principal streets of the City, arriving by London Bridge and disappearing over Blackfriars Bridge. Of the three people seated in the carriage two were French officers; the equipage was bedecked with laurel, and upon the eager throng which lined the path of its progress were showered papers announcing again the fall of Paris and the death of Napoleon. *Omnium* went up to 33. Still no confirmation of the news could be obtained. Indeed it was discovered that the Government had received no message whatsoever, and *Omnium* and *Consols* crashed back to their original figure. But meantime Charles Random de Berenger, who had masqueraded as Lieutenant-Colonel du Bourgh, and his accomplices, some of whom had assumed the other characters, had sold out of more than three-quarters

of a million sterling of Government Stock at a profit of about ten thousand pounds. A Mr. Fearn was the broker through whom the sales were principally made, under the direction of Mr. Andrew Cochrane Johnstone, M.P., who had taken an office almost at the door of the Stock Exchange for the purpose of the transactions. This profit was much smaller than it would have been had not the principal part of the plot, as was afterwards discovered, met with ignominious failure. It was intended by De Berenger that the despatch which, as Lieutenant-Colonel du Bourgh, he sent to the Port Admiral of Deal should be officially telegraphed to the Government. It described how he had crossed the Channel in the French ship *L'Aigle*, the master, Pierre Duguin, having immediately put back to sea, fearing molestation ; it briefly recounted the victory even to the detail that " Bonaparte was overtaken by a party of Sachen's Cossacks, who immediately slaid him and divided his body between them." Had this despatch been telegraphed to the Government by the Port Admiral of Deal, the Stock Exchange might have obtained the official confirmation which it so ardently desired. But the morning happened to have been hazy, and the telegraph, which of course in those days was merely a system of signalling, could not be worked. But as it was, the fraud was sufficiently successful and the chagrin of the Stock Exchange was extreme. " To the scenes of joy and of greedy expectations of gain," wrote

a witness at the time, "succeeded in a few hours disappointment and shame at having been gulled, the clenching of fists, the grinding of teeth, the tearing of hair, all the outward and visible signs of those inward commotions of disappointed avarice in some, consciousness of ruin in others, and in all boiling revenge." From this description of a scene on the Stock Exchange it can only be concluded either that the witness was given to exaggeration or that members of the Stock Exchange were much more outwardly emotional in those days than they are now. Of course as a result of the fraud many members found themselves in severe straits, and a certain attorney's clerk had the temerity to enter the House to serve processes. He was scarcely allowed to leave. A sub-committee of inquiry was appointed to investigate the fraud. As a result of its initial deliberation a reward of £250 for the discovery of Colonel du Bourgh was publicly advertised, and a notice was posted on the walls of the House asking for information as to the dealings from those members who could give it. Amongst those who tendered the evidence thus invited were Mr. Hichens, whose testimony had to be taken in bed, Mr. Smallbone, and Mr. J. M. Richardson, who in the official minutes of evidence given before the Committee is described as "a bookseller, but occasionally acting as a stockbroker." A clue was obtained before the end of March, as is shown in the following notice, one of the most

curious official intimations that ever decorated the notice-boards of the Stock Exchange:—

COMMITTEE ROOM, 26th March.

The Sub-Committee inform the Members of the Stock Exchange that a waterman has just brought to them a bundle which he dragged up from the bottom of the River Thames on the 23rd instant, containing a scarlet regimental coat, cut up into very small pieces, together with an embroidered silver star, and the silver badge of some Order. The coat has plain gilt buttons, and appears to have been trimmed with blue and with gold embroidery. The star had a red cross in the middle, surmounted by two angels supporting a crown, and surrounded by the following motto, worked in silver twist on a red ground: AMAM : JUS : PIET : FIDEM. The badge appears to belong to some Order of Masonry, and consists of a silver radiated cross, having an eagle on one side and a pelican feeding her young (affixed to a compass) on the other. The whole of the above, together with several pieces of old lead and brass, were tied up in the cover of a white chair cushion, evidently for the purpose of being sunk. As the pretended Colonel du Bourgh is said to have worn a dress similar to the above on the 21st ult., and as there has been an evident attempt in this transaction at concealment, the Sub-Committee will be obliged to any Member of this House who may be able to procure any information relative to this subject.

Eventually the Sub-Committee was able to report. It drove charges home against certain suspects; it acknowledged the aid it had received in its investigations from the Government and from the Bank of England, and the report added: "It does not appear that any Member of the Stock Exchange has been implicated in the knowledge or participation of a measure which would have inevitably rendered him liable to expulsion from the House." In

reply to the finding of the Sub-Committee, there was published a sixty-page pamphlet entitled "The Calumnious Aspersions contained in the Report of the Sub-Committee of the Stock Exchange Exposed and Refuted, in so far as regards Lord Cochrane, K.B. and M.P., the Hon. Cochrane Johnstone, M.P., and R. G. Butt, Esq., to which are added, under the authority of Mr. Butt, copies of the Purchases and Sales of Omnitum and Consols, referred to in the Report of the Sub-Committee." But the delinquents were brought to book in the Criminal Court. De Berenger and his accomplices, including Sir Thomas Cochrane, a captain in the Navy, M.P. for Westminster, and afterwards Earl of Dundonald, and half-a-dozen others, were tried for the fraud on the Longest Day of the year 1814. At the conclusion of the trial Lord Ellenborough, the Chief Justice, said: "A public mischief is the object of this conspiracy; the conspiracy is by false rumours to raise the price of the public funds and securities, and the crime lies in the act of conspiracy and combination to effect that purpose. . . . The purpose itself is mischievous; it strikes at the price of a veritable commodity in the market, and if it gives it a fictitious price by means of false rumours it is a fraud levelled against all the public, for it is against all such as may possibly have anything to do with the Funds on that particular day." The prisoners were sentenced to twelve months' imprisonment each, some of them to fines of £1000 and £500,

and three of them, Sir Thomas Cochrane, De Berenger, and Butt, were sentenced to stand for one hour in the pillory in front, not of the Stock Exchange, but of the Royal Exchange. The pillory portion of the sentence was, however, omitted, Sir Francis Burdett declaring in Parliament that if it were carried out he would stand beside his friend, Sir Thomas Cochrane. There are some who attribute the involvement of the name of Sir Thomas Cochrane, who was usually known as Lord Cochrane, to political spite. However that may be, after some time of retirement in disgrace, his fair name was restored, and he died in honour. The Stock Exchange Committee did not, as in the case of the French War Hoax in 1803, annul all the bargains, but it stopped certain moneys, and these, on the first anniversary of the fraud in 1815, were handed to different charities. De Berenger became a livery-stable keeper.

Besides the pamphlet already mentioned, much other literature sprang from the De Berenger frauds. One hundred-page book bore this title: "The System of Stock-Jobbing Explained; Exposing the Ground of the Art, Secret Manceuvres, Tricks and Contrivances, Delusion of the Monied Interest, and General Peculation; being an Elucidation of the Subtle Machine by which Stock-Jobbing confounds Public Calculation as to the Rise and Fall of the Funds, whence a true judgment may be formed of the Proper Time to Buy and Sell; Proving that to Gambling at the Stock Exchange

may be traced the Cause of the Present Alarm-ing Distress of the Commercial and Agricultural Interests of Great Britain ; to which is added a Postscript containing Considerations on the legality of the Prosecution against Lord Coch-rane and Others ; with annotations and a glossary." The most remarkable thing about the work, apart from its title, is the fact of its showing thus early in 1816 not only that jobbers existed, but that there was a movement for their abolition. The abolition of the jobber is sometimes advocated to-day. He belongs, of course, to one of the two great classes into which members of the Stock Exchange are divided—brokers and jobbers. He is, as it were, the wholesale warehouse to whom your retail broker goes to buy or sell stock for you.

When at last the fall of Napoleon was actu-ally brought about, when the news came that Waterloo was won, the effect upon the Funds was comparatively insignificant. Consols, which had stood at 66 in January 1815, never touched that figure again throughout the year, despite its victory. In June they were quoted 54. By the end of the year they had advanced, but only to 60.

One of the principal members of the Sub-Committee on the De Bérenger frauds was Mr. Francis Baily ; he it was, indeed, who drew up the Committee's report. He has already been mentioned as valiantly, though unsuccessfully, championing the cause of the Stock Exchange against the City authorities in one of the

skirmishes arising out of the brokers' licence feud. Mr. Francis Baily was one of the most distinguished men of his day, not only in the House itself, but in the kingdom. When quite a young man he spent much time in study and travel, and on one occasion lost himself for practically a year amidst the aborigines of the Wild West. He was a member of the Stock Exchange when it took up its quarters in Capel Court, and retired with a fortune a quarter of a century later. But meantime he became a leading astronomical light, and we owe much to his labours in that science. He retired from the Stock Exchange in 1825, and in 1838, in the garden of his house, Tavistock Place, Russell Square, was constructed a small observatory, the Government having granted £500 towards the expenses of the apparatus. And this was the observatory in which the earth was weighed, and its bulk and figure calculated. Mr. Baily died President of the Astronomical Society in 1844. Another distinguished scientist who was a member of the Stock Exchange, although at a much later day, was Charles Stokes, F.R.S.

But, to keep to these early days of the century in the Stock Exchange, another illustrious member was David Ricardo, the great economist. He commenced business at an exceptionally early age with his father, but turning from the Jewish tenets he lost the parental support, and must have sacrificed his career but for the timely assistance of some Stock Exchange

friends of good standing. Their confidence in David Ricardo was justified by his early successes in business. To him is attributed the statement of the speculative formula, "Cut your losses and let your profits run"; and it is said that he put his formula into practice. At all events he was soon able to devote his time to the philosophic research towards which he had always yearned. The great work associated with his name was published in 1817, and thenceforward until the time of his death, six years later, at the early age of fifty-two, he was undoubtedly the leading economist of his day.

Another member of the Stock Exchange at this time was Horace Smith, and he was distinguished in literature. In collaboration with his brother, James Smith, he wrote, in 1812, the famous *Rejected Addresses*, which ran through twenty-four editions. About the same time was published *Horace in London*, by the same authors, and the trail of the Stock Exchange was found in one or two of its poems, notably in "The Stock Jobber's Lament." The lamentation was mainly over the disturbance in the markets caused by the exploits of Napoleon. Horace Smith was one time the companion of another member of literary aspirations, William Heseltine, who wrote a novel of historical interest, *The Last of the Plantagenets*. It is told of the two friends that on becoming members of the Stock Exchange as young men they entered into a compact each to retire when he had made £50,000. Many years afterwards

Horace Smith reminded his friend of the bargain which he had entirely forgotten, having passed the limit long before. "I've made my sum and I'm off to-morrow," said Horace Smith, contented, despite the sneers of his friend at the sum, who described it as being merely on the road to fortune. Horace Smith retired to his literary career at Brighton. Heseltine, although he quadrupled his £50,000, eventually died a disappointed, broken-hearted man.

Another literary member of the Stock Exchange, later, shone as a dramatist. Angelo Slous wrote several plays, including *The Templar*, produced by Charles Kean at the Princess's, and *True to the Core*. The latter play gained the distinction of taking the Cooke prize of five hundred pounds for the best nautical drama, and was produced at the Surrey Theatre with Creswick and Shepherd as the two leading characters. Another worshipper at the shrine of the Muses was William Peacock. As a leading member of the Sacred Harmonic Society he attained some distinction in the musical world. But a prophet gains no honour in his own country, and amongst his fellow-members of the House the sweet songster was known as "The Singing Peacock."

In 1815, after the fall of Napoleon, the first French loan dealt in here was successfully issued in the London market, and very shortly afterwards Austria defaulted on a loan of five millions, which, however, had the guarantee of the English Government. It was an era of

foreign loans, especially South American, and an era of foreign defaults. There was one South American loan which was truly remarkable in its nature. Bonds to the amount of £200,000, issued at 80, secured on the wealth of Poyais, circulated freely on the Stock Exchange. Poyais was a new name for the Musquito Country where Gregor M'Gregor, an adventurer in the Spanish-American wars, but now Cacique of Poyais, had founded a settlement. It was described as an earthly paradise ; land was sold and immigration was freely invited and organised. As his name suggests, Gregor M'Gregor was a Scot, and the ships, which sailed from Leith, conveyed emigrants mainly from Scotland, who had sold their little all to participate in the enterprise. They found Poyais, the earthly paradise, to be a miserable desolate malarial swamp. It was Dickens's Eden on a large scale. The immigrant party was decimated by disease and poverty, despite the possession of the notes of the Bank of Poyais, which they had received in exchange for those of the Bank of Scotland. Needless to say no interest was ever paid on the Poyais bonds, although they again appeared on the Stock Exchange twelve years afterwards as gambling counters during the foreign loan mania of 1836. The incident naturally wrought a most disastrous effect in the minds of the poor upon the whole subject of emigration. It is, by the way, to Mr. Benjamin Boyd, a member of the Stock Exchange, that we owe

much for the conception of the idea and active support of emigration to Australia.

With the rapid growth in the Foreign Loans Market, its situation in the Royal Exchange became as inconvenient as it was unnatural. From the time of the first foreign loan, more than a hundred years before, the Royal Exchange had been the mart ; the dealers had not followed the Stock Exchange proper from the Royal Exchange through Change Alley and Sweeting's Rents to Capel Court. But now, on the first day of the year 1823, they made the move in one step. A Foreign Stock Exchange was established in a building adjoining and connected with the Stock Exchange proper. This Foreign Stock Exchange was, however, a distinct organisation. It had its own committee, with a chairman and deputy-chairman, its own rules, and its own price list. The number of members seems to have varied a good deal. At one time it reached a thousand, descending to four hundred, and then recovering again. The subscription was five guineas a year, and the institution differed vitally from the Stock Exchange in that outside merchants and traders were admitted. It was not until some years afterwards that the Foreign Stock Exchange was absorbed into the Stock Exchange which it adjoined.

Meantime a serious Stock Exchange schism had threatened. Recognising the evils which attended gambling on the option system—the system upon which you pay an agreed sum for

the right to buy or to sell a stock at a certain price on a given date—but without sufficiently counting the cost of the drastic step, the Stock Exchange Committee somewhat hastily laid it down in the year 1821 that dealings in options were forbidden under penalty of the expulsion of the member who indulged in them. A large number of members rose in arms against the innovation and they numbered in their ranks many houses of the highest influence. Matters came to such a pitch that the opponents of the new rule threatened to secede from the Stock Exchange altogether and to form a new organisation. Meetings were held, large amounts of money were subscribed, and it was decided to acquire a new building for a rival Stock Exchange. Ultimately, however, the matter, at one time so minatory, was amicably arranged and the Committee's drastic resolution was rescinded. As was said at the end of the preceding chapter, the power and importance of Capel Court was not to be diminished but to be augmented; it was to wax, not to wane.

CHAPTER IX

MANIAS AND LOTTERIES

A new company boom in 1825—Some statistics—Introduction of mines—An early case of rigging—How the bears got out of a corner—The old old story told by Henry English—The Stock Exchange Reading Room—A stockbroker's advertisement—The abolition of lotteries in 1826 ; history of the system—A description of the Stock Exchange at the end of the first quarter of the century—The founder of the English House of Rothschild—Proposed tax upon transfers in 1831—The mania and panic of 1835—Establishment of provincial Stock Exchanges—Consols at par for the first time.

As if in celebration of the centenary of the South Sea Bubble, the public were caught up in a whirlwind of speculation in the first half of the decade which commenced with 1820. The speculative spirit which permeated the public mind was by no means diminished at the time by the reduction of the interest on national Funds amounting to a capital sum of nearly 230 millions sterling. Discontented with the reduced yield which their sober securities bore them, the holders became a fit prey for the promoter. The history of 1720 repeated itself in 1820, as it may—who knows?—repeat itself in 1920. The frenzy gathered force during the

quinquennium, and a few striking figures will convey some idea of the rapid rate at which company-promoting went on in the years 1824 and 1825. At the beginning of 1824 there were only 156 companies, distinct from Funds and Loans, known on the Stock Exchange, and these had a capital of 48 millions sterling, of which 34 millions was paid up. But during those two years no fewer than 624 companies were formed or projected, with a nominal capital of 372 millions! Naturally a large number of these companies were stillborn. No fewer than 379 of them, with a capital of $212\frac{3}{4}$ millions sterling, never reached fruition; and another 118 of them, with a capital of $56\frac{1}{2}$ millions, of which $2\frac{1}{2}$ millions was paid up, had to be abandoned within a few months of formation. Still, 127 companies, with a nominal capital of $102\frac{3}{4}$ millions sterling, and a paid-up capital of 15 millions, were left; and after the rage of 1824 and 1825 had wrought its effect the number of companies in existence was 283, with a nominal capital of $150\frac{3}{4}$ millions sterling, of which $48\frac{1}{4}$ millions was paid up. With this figure of $48\frac{1}{4}$ millions sterling may be compared to-day's figure of 3929 millions, that being the amount—exclusive of Funds and Loans—officially quoted in the Stock Exchange at the beginning of the twentieth century. This statement shows the number and the class of the companies known on the Stock Exchange about the end of the first quarter of the nineteenth century:—

Kind of Company.	No.	Capital.	Paid-up.
Canals . .	63	£12,202,096	£12,202,096
Docks . .	7	6,164,591	6,164,591
Insurance . .	39	48,608,948	8,795,948
Waterworks . .	16	2,973,170	2,973,170
Bridges . .	4	2,452,017	1,952,017
Gas . .	47	10,691,700	3,377,300
Roads . .	7	494,965	479,815
Mines . .	44	26,776,000	5,455,100
Miscellaneous . .	56	40,354,600	6,851,850
	283	£150,718,087	£48,251,887

Mining companies made their first appearance in any force during these boom years of 1824 and 1825. Of the 127 new companies permanently added to the number of those known on the Stock Exchange, forty-four were mining companies, whereas practically no mining companies had been in existence previously. Amongst companies which were merely projected during those two notable years, or which, having been formed, were almost immediately abandoned, may be mentioned thirty more mining companies, twenty-eight investment companies, twenty-six building companies, twenty-three provision companies, and sixty-seven steam companies, not one of which came to fruition. The figures given here relate, of course, merely to companies, but in the two memorable years of mania foreign loans—some of which were mentioned in the last chapter—to the nominal amount of 32 millions sterling, and to the actual amount of $25\frac{1}{4}$ millions sterling, were issued, bringing up the actual amount invested in foreign loans to 43 millions sterling.

Many of the names of companies which failed to blossom into full life just at that time carry a weight of interest or suggestion ; such as the Bank of Great Britain, the London and Birmingham Railroad, the Dover and Boulogne Steam, the London Genuine Snuff, the Dover to Calais Railway, the South London Milk, the British Forest Planting, the Economic Funeral, the London Short Stage Coach, and the British Personal Palladium. One company had for its object the manufacture of gold, but when its shares had all been subscribed it was found that the expenses would be double the product. To another company, the Equitable Loan Company, even the Duke of York of the day lent his name because of its professed philanthropic nature. It was to combat the usury of the pawnbrokers and yet pay dividends of 40 per cent. Needless to say it did neither.

The boom went merrily on, despite the satirists who advertised a foreign loan for the Lilliputians and the Houyhnhnms and the prospectus of a Parliamentary Steam Company to enable the Legislature to more readily deal with the number of financial projects for which its sanction was sought.

One of the first cases of cornering in the Stock Exchange was commented upon in the *Times* of 25th March 1825. "We understand," it said, "that in the case of one of the newly-formed companies a stratagem of a very unusual nature has been resorted to, to raise artificially the price of the shares. It is well

known that a practice exists at the Stock Exchange of selling at a distant period without the parties having any of the stock or shares at the time. . . . The persons engaged in the new company in question are said to have taken advantage of this gambling mania, to buy in for time more shares than they know have actually been issued, and which consequently it will never be in the power of the sellers to deliver. The effect has been to raise the shares to four or five times the value at which they were first issued. The law has declared all such time bargains to be illegal"—and so on.

As a matter of fact these rigs and corners were numerous, especially amongst the new mining shares. In the case of the Lower Rhine Steam Navigation Company an ingenious method was discovered by the bears to relieve themselves of the crush of a corner. As the settling day approached the shares rose to nearly thirty premium, and were almost unobtainable at that. But what shares the bears could not obtain they made for themselves. After the settlement it was found that a large number of the documents accepted as good delivery were mere forgeries. A committee of the Stock Exchange was appointed to inquire into the matter, and the investigation resulted in the expulsion of a member.

A vivid description of the scenes which occurred at this boom-time, not only in the House but more especially in its vicinity, was furnished by Mr. John Francis, of the Bank of

England, in his well-known work. As it was published in the middle of the century, Mr. Francis had the advantage of writing contemporaneously, with the evidence of personal reminiscence before him. He declares that the entrance to the Stock Exchange became so blocked up that nothing but a fine of five pounds on those who stopped the way had any effect in dispersing the nuisance. He describes the scene thus: "With huge pocket-book containing worthless scrip; with crafty countenance and cunning eye; with showy jewellery and thread-bare coat; with well-greased locks and unpolished boots; with knavery in every curl of the lip and villainy in every thought of the heart, the stag, as he was afterwards termed, was a prominent portrait in the foreground. Grouped together in one corner might be seen a knot of boys eagerly buying and selling at a profit, which bore no comparison to the loss of honesty they each day experienced. Day after day were elderly men with shabby faces and huge umbrellas witnessed in the same spot, doing business with those whose characters might be judged from their company. At another point, the youth, just rising into manhood, conscious of a few guineas in his purse, with a resolute determination to increase them at any price, gathered a group around, while he delivered his invention to the listening throng, who regarded him as a superior being. In every corner, and in every vacant space, might be seen men eagerly discussing the

premium of a new company, the rate of a new loan, the rumoured profit of some lucky speculator, the rumoured failure of some great financier, or wrangling with savage eagerness over the fate of a shilling."

The mania could not go on for ever, and at length the crash came, as crash always will come after mad speculation and wild inflation. At the end of the year 1825 arrived the days of retribution, the days of the great panic. In October 1824 the coin and bullion at the Bank of England amounted to $11\frac{3}{4}$ millions sterling; in February 1825 it had shrunk to $8\frac{3}{4}$ millions; in August it barely reached $3\frac{3}{4}$ millions sterling. These figures tell their own tale. At the beginning of December several banks failed, panic reigned, the Bank of England was almost drained of its gold. Some assert that the credit of the country was saved only by the accidental discovery at the last moment of a box containing one-pound notes to the amount of upwards of half a million sterling; but although such a box was undoubtedly so discovered, the tide of the panic had, it seems, been stemmed by that time, the Bank of England, by the wise freedom with which it discounted bills and paid out money, having exhausted the terror of the public. On Christmas Eve 1825 the Directors found themselves with scarcely more than a mere million of coin and bullion, but with confidence restored. Meantime the Three per Cents had fallen nineteen points—from 94, at which they

opened that disastrous year of 1825, to 75, at which they closed it.

Henry English, a writer who had a full grasp of the boom of 1824 and 1825, indulged in some criticism at the time which it is interesting to recall, as being applicable to the present day. He pointed out that prior to that period of inflation the companies formed were "of such description that individual capital could not be supposed to be adequate for the completion of the object for which the company was formed. A majority of those formed during 1824-25 were of a nature adapted only to individual enterprise. . . . The deceptive practices resorted to, to obtain a price far exceeding the real value of the property (in various Mining Companies), can only be explained by the guilty participation of the parties in the spoil. . . . To acts of a similar nature is to be attributed the sacrifice of character which has in too many instances of late been the result of the proceedings of Joint Stock Companies; when, by the connection of honourable men with a class of designing projectors, the innocent have been implicated with the guilty. It is, however, to be hoped that the lesson thus taught the public, and more particularly men holding high stations in life, will be the means of preventing a recurrence of the events of 1824 and 1825." Even if lessons are learnt, history has a way of repeating itself.

Although many of the new companies had

succumbed in the crash, a large number, as has been seen, remained, and thus at the end of the first quarter of the nineteenth century the sphere of Stock Exchange dealing was suddenly and enormously enlarged. And it was at this time that its business began to attract general public attention in a way it had never attracted it before. For instance, the mania of 1825 had naturally engaged the description and the comment of the Press, and this led to the establishment of the daily money article. Of course, quite early in the century the Press had begun to quote the prices of securities, but the list was generally furnished by some stockbroker, who was allowed in return for his trouble to append his name—just in the fashion that nowadays some trade reports are published. Gradually there crept in fugitive paragraphs relating to Stock Exchange business, but these were served up irregularly with other news and not in the form of a daily City article. This began to appear about 1825; a decade previously such a paper as the *Courier* did not even mention the prices of stocks. How different was the state of affairs at the end of the nineteenth century is indicated in a description of the Reading Room of the Stock Exchange written by a member, showing that there is, at any rate, something in the Press which interests dealers. “It is often a matter of waiting when one wants to look at a copy of the *Times*, although I believe the House is supplied with more than thirty every

day. As to the reading-room, a miniature hall it is, furnished with cosy arm-chairs and comfortable seats. On the large table in the middle are spread out the dailies, a list of which, hanging outside the room, gives the number as fifteen varieties. The House is also supplied with five foreign daily newspapers, thirteen English weeklies and nine foreign, six monthly magazines, and four afternoon papers. No clerk is allowed in the reading-room, and, as it is, the newspapers at the end of a day are frequently worn out almost literally." Since that was written further alteration of the Stock Exchange Reading Room has been found necessary, and it has been rearranged to admit of the growth of readers to about two thousand a day. It was not until eighteen years ago that a daily paper was published whose columns were devoted entirely to finance, and mainly to the affairs of the Stock Exchange. The pioneer in this respect was the *Financial News*, whose birthday was 23rd January 1884.

Stockbrokers early in the century were allowed to advertise either by supplying market reports for publication in the Press or by other means. Nowadays, advertisement is strictly forbidden; the Managers spend about £1200 a year in advertising that the members are not allowed to advertise, but that lists of their names can be procured on application. Severe censure has been passed by the Committee on a firm for merely sending to the Press an announcement as to partnership in which the

firm was described as stock and share dealers. A favourite method of advertising in those days was by the issue of medals or tokens. Thus in the possession of a leading member of the Stock Exchange to-day is one of these tokens, issued about 1820 by Mr. John Ashby, of 3 Bartholomew Lane, Bank, who was a member of the Stock Exchange from 1814 to 1834. The medal bears the device of a Bull with a man's head on the reverse side, and of a Bear with a man's head on the obverse side, and states that Mr. Ashby's office hours were from 10 to 3—that is, when his office was open at all, for the medal gives a list of fixed holidays numbering no fewer than thirty-two days in the year.

It was opportune that the business of the Stock Exchange should be suddenly augmented at the end of the first quarter of the century, for it was then, and not until then, that by the abolition of the lottery a fruitful source of profit was removed from the brokers. During the latter half of the eighteenth century and the first quarter of the nineteenth, no small part of the business of the stockbroker consisted of dealings in lottery tickets. The first public State lottery in this country dates as far back as 1569, when a kind of Harbours Improvement Loan was raised by this means. No fewer than four hundred thousand tickets were sold, and the drawing for the prizes, which consisted of money and silver plate, lasted day and night for four months, the difference between the cost

of the prizes and the expenses on the one hand, and the subscriptions for the tickets on the other, going for the improvement of harbours and havens round our coasts. The object was a good one, but the means for its attainment execrable; and with that four months' tumultuous excitement amongst an uncouth and uneducated people was the era of lotteries characteristically inaugurated. Half a century later, in 1620, the lottery system was made illegal, but it was soon employed again by Charles I. to raise money in connection with a scheme for the conveyance of water to London. Under his son, the Merry Monarch, when all kinds of vice held sway, lotteries were not only continued but encouraged; and in 1694 we find William III. raising a lottery loan of one million sterling, the prizes being funded for sixteen years. In the same reign an Act was passed for the suppression of lotteries unless organised under Royal patent, but the Act was a dead letter. Even the law of the land that no one person should hold more than twenty tickets in any one lottery was frequently broken by means of utilising nominees. Thus we find that Sir Manasseh Lopez—who has been mentioned in connection with the “Queen Anne is dead” hoax of 1714—was so flagrantly a culprit in respect of his holding of lottery tickets that his prosecution was undertaken by the Attorney-General in the Court of King’s Bench. A fine of a thousand pounds was imposed, but, considering his great profits, Sir

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TO A PRIZE.

HAZARD

AND CO. CONTRACTORS,

RESPECTFULLY submit to the Public the SCHEME of the whole 20,000 Tickets, comprising the present

GRAND STATE LOTTERY,

Which having received the sanction of the Lords of the Treasury, and being formed on the original Principle of NOT TWO BLANKS TO A PRIZE, will, they trust, meet with general approbation.

SCHEME

Not Two Blanks TO A PRIZE.	2 { Grand Prizes of }		25,000 { Guineas each } in Gold	L. 52,500
	20,000	5,000		
2.....	20,000.....	5,000.....	40,000.....	10,000.....
2.....	5,000.....	1,000.....	10,000.....	5,000.....
5.....	1,000.....	500.....	5,000.....	2,500.....
5.....	500.....	200.....	2,500.....	2,000.....
10.....	200.....	100.....	2,000.....	1,500.....
15.....	100.....	50.....	1,500.....	1,500.....
30.....	50.....	21.....	1,500.....	21,000.....
1,000.....	21.....	15.....	21,000.....	15,000.....
1,000.....	15.....	10.....	15,000.....	46,000.....
4,600.....	10.....			
6,671 Prizes, all in Money.				L. 200,000

ALL to be Paid
IN MONEY.

NO FIXED PRIZE.

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TICKETS AND SHARES ARE SELLING BY
HAZARD, BURNE, & Co.
STOCK-BROKERS,

South Gate of the Royal Exchange,

Where, in the late and former Lotteries, Prizes have been Sold exceeding in Amount

T W O M I L L I O N S.

* * Persons in the Country may be supplied by the Agents in the different Towns, or by sending their Orders, Post-paid, with good Bills, Bank Notes, or Post-Office Orders, as above, to the Contractors' Office.

J. CUNDEE, PRINTER, IVY-LANE, LONDON.

A BROKERS' LOTTERY HANDBILL.

Manasseh was considered to have escaped lightly. In an old picture of the Bank of England, produced at the end of the first quarter of the past century, the Far Famed Lucky Lottery Office of Messrs. Richardson, Goodluck, & Co. raises its proud head in close proximity to the premier financial institution of the world.

Reproduced in facsimile here is the advertisement handbill of a firm of stockbrokers relating to their lottery business. The original is in the hands of a well-known member of the House to-day. It will be seen that Messrs. Hazard, Burne, & Co.—a name appropriate indeed—were contractors for the issue of these lottery tickets from the Government to the public. The handbill was, in fact, the prospectus of a Government issue—under “the sanction of the Lords of the Treasury.” The financial critic of the present day might ask whether, on the face of it, this State prospectus is not misleading; how the statement that there are not two blanks to a prize can be reconciled with the statement that there are 20,000 tickets and only 6671 prizes. There may be some explanation of the seeming discrepancy, but it serves to sow suspicion of some exaggeration in the subsequent statement of Messrs. Hazard & Co. that they had disposed of prizes in preceding lotteries exceeding in amount two millions. Not that lotteries lacked prevalence. In his well-known work Mr. John Francis draws a vivid and revolting

picture of their far-reaching effect, a picture which seems somewhat exaggerated if we compare it with the state of affairs in Continental countries at the present day where the lottery system still prevails. Though lotteries had been finally declared illegal in 1826, twenty years before he wrote, he was obviously inspired by the fear that at any time they might be revived by a necessitous Government. His exaggeration of their evils was, under the circumstances, excusable, and in any case it would be difficult to overstate the case against the system. The spirit of gambling was inculcated amongst the very poor, the barest necessities of life being pawned to provide the funds for the purchase of the ticket, or the part ticket, which might win a fortune. Had the lotteries been honestly conducted and confined to raising funds for State purposes the evil might have been less. But the vile contagion spread. Beyond the State lottery tickets, such as were dealt in by stockbrokers, such as even the banks received as security for advances, there were tickets issued by every petty tradesman of an enterprising nature. The clothes from the tailor, the twopenny meat pie, even the bottle of medicine from the quack, bore with it the chance of a big prize, or at least the pretence of such chance, until it was almost impossible to trade directly without offering the inducement of a lottery prize. Many of the lotteries were swindles outright, the tickets being all blanks; and as adjuncts of the system there gathered a

mass of charlatanism, rougery, and superstition ; in the matter of the foretelling of the winning numbers, for instance. The voice of the wise minority was constantly being raised against lotteries from the first ; and in 1805 a Committee of the House of Commons which had been appointed to inquire into the matter reported in the strongest terms against their continuance. But the Government found it an easy way of raising funds, and it was not until twenty-one years later, in 1826, that the lottery in this country was finally abolished. The State lottery went with the rest, and that branch of the occupation of the members of the Stock Exchange was gone.

A description of the House at this the end of the first quarter of the century by a writer of the day is acceptable, although some of his ideas appear to have been rather peculiar. "The Stock Exchange, Capel Court, Bartholomew Lane, which is very conveniently situated opposite to the Bank, was erected in 1801. . . . No persons are allowed to transact business here but those who are balloted for by a committee, annually, and who on their election pay ten guineas. By this regulation the *jobbers* in stock (or those who, though ostensibly buyers and sellers, are in reality *illegal gamblers*, and merely speculate upon the rise and fall of the Funds at fixed periods, without making any actual sale or purchase) are chiefly confined to the Bank Rotunda. At the north end of the subscribers' room, over the fireplace, is a list

of the original proprietors of the building, and over it a handsome rain-gauge; at the other end is a clock, and a tablet for the purpose of exhibiting the names of those defaulters who, never having been able to settle their differences on bargains made in the Funds, are not allowed again to become members. The business transacted relates entirely to the purchase and sale of stock in the public funds, Exchequer bills, India bonds, and similar securities. There are four entrances to the building: one from Capel Court, one from Shorter's Court, one from New Court (both the latter in Throgmorton Street), and one communicating with the Hercules Tavern in Broad Street. It is handsomely fitted up, with every requisite for the use of the subscribers, and is open from ten in the morning till four in the afternoon, except upon bank holidays, when it is shut. The design was by the late Mr. Peacock, architect, who is by some suspected of having intended a practical pun in placing a bust of Mercury upon the key-stone of the principal entrance."

Most prominent of all the figures in the world financial at this time was the founder of the English house of Rothschild. It was in the year 1805 that Nathan Meyer Rothschild came to London, having previously as a Manchester cotton merchant multiplied the fortune which he had brought with him to this country from Frankfort. The fortune went on rapidly increasing, and appears to have been multiplied,

in 1812, by the death of the father of the house, Meyer Amschel Rothschild. Although always regarded as a merchant, many of the important deals of Nathan Meyer Rothschild were upon the Stock Exchange, and it may be said that the financial history of the early part of the past century was bound up in his personality. He arranged loan after loan for various foreign Governments. He was the contemporary of Sir Francis Baring—of whom more hereafter—and of Abraham Goldsmid, and entirely eclipsed them in energy, decision, and skill. He first appeared as a contractor for a public loan here in 1819, when he made himself responsible for twelve millions sterling. He was mainly the means of popularising foreign loans in this country; arranging a system for the payment of the interest in English money here instead of in foreign money abroad. Whilst the mad boom of 1824 and 1825 was raging Nathan Meyer Rothschild stood aloof, his principal work of the period being the foundation of the Alliance Life Office. But when the subsequent panic occurred his house was of the utmost service in buying stock from the overloaded at low and profitable, though reasonable, prices; stock which, had it been thrown upon the market, would have enhanced the general disaster. Moreover, he advised the Government how to meet the crisis. Instances of the skill, the cunning, the intrepidity of the dealings on the Stock Exchange of the founder of the house of Rothschild are numerous, and

they have formed the foundation of imaginary anecdotes which are without number. For instance, the fact that he was the first in this country to learn of the victory of Waterloo, through his Ostend agent Roworth, has been exaggerated into the myth that he himself secretly crossed the Channel with the news. He was a man of huge stature and of huge affairs. His death at Frankfort—where he was seized with sudden illness—caused enormous sensation in the Stock Exchange, especially as it was impossible to tell in what his immense interests lay.

It is said that the momentous news was conveyed to this country by carrier-pigeons. The birds carried the inscription "Il est mort," together with a cipher message which could be unravelled only by the initiated. One of the pigeons, wounded, was picked up at Brighton. About this time, before electricity had been trained to put a girdle round the earth, the pigeon was the favourite means adopted for the conveyance of news, especially between England and France. Many syndicates of members of the Stock Exchange controlled services of pigeons, and during the first two or three years of the Victorian reign large fortunes were made in several instances by those possessing this means of information. Daily communication between London and Paris was kept up by many firms in this way, half-a-dozen birds being despatched simultaneously with the same message. But the service was satisfactory

only during the summer months ; even then it was expensive and uncertain ; and, despite all precautions, the news frequently found its way first to others than those at whose expense the service was maintained.

In 1831 the Stock Exchange and the financial world generally rose in violent opposition to a proposal of the Chancellor of the Exchequer to tax every transfer of funded property to the tune of 10s. per cent. He estimated that £800,000 would accrue to the national revenue by this means. Nothing whatever accrued, however, as the opposition in the City was too strong and the proposal was abandoned. In 1832, the political demonstrations, the military mutiny, and the state of disturbance into which the country was thrown, greatly restricted business on the Stock Exchange. Except for the sales of Government Stock and the purchase of Russian Funds, which many considered a better security, there was little business, dealers keeping their books balanced and declining new commitments in the fear of disaster which was ever threatening.

Then came the mania and panic of 1835. For there was a mania and panic in 1835, as there had been a mania and panic in 1825, and as there was to be a mania and panic in 1845. After a considerable period of stagnant quiet the Stock Exchange was awakened into activity by the Peninsular troubles. The movement for the expulsion of Don Carlos from Spain and of Don Miguel from Portugal attracted the

warm political sympathy of the country and the practical financial sympathy of the City. Both countries were in default on their debt to bond-holders here, but more money was necessary for each. Portugal successfully issued a loan of £800,000 secured on wines, and when Don Miguel fled, another of £2,000,000. Spain raised a loan of £4,000,000, and her Spanish Cortes Stock was forced up steadily from 16½ to 72. Foreign loans of all kinds, whencesoever they came, and whether interest had ever been paid on them or not—on the Portuguese loan the interest had to be funded from the very first—foreign loans of all kinds sprang into wild favour. So much was the speculative spirit abroad that dealings overflowed the confines of the Stock Exchange and again became very active in the Royal Exchange, where a mixed multitude of speculators again gathered, dealing in all kinds of securities and insecurities. The nuisance to the ordinary frequenters of the Royal Exchange became so marked that the interlopers were eventually expelled, just as brokers had been expelled the Royal Exchange before. But by May 1835 the market had begun to awaken to the fact that the position was a false one, and that it was overloaded with worthless foreign stocks.

On the 21st of the month the Stock Exchange panic commenced. Spanish Stock dropped five and ten per cent at a time, and Peninsular securities fell twenty or thirty per cent within a week or ten days. The scene

in the House is thus described by Mr. John Francis, who wrote contemporaneously: "It is difficult to describe the confusion with which the market closed on the evening of the 21st May. Brokers who had kept to the legitimate business were defaulters; most who had bought for time were unable to pay their differences; while respectable men who had laughed at speculation and thought themselves too clever to be taken in by companies, had ventured their all on the faith of foreign Governments. Frantic confusion marked the alleys and the neighbourhood of Capel Court. Consternation reigned paramount, and almost every third man was a defaulter. All foreign securities were without a price; the bankers refused to advance money; the brokers' cheques were at first doubted and then rejected; with a desperation which will never be forgotten, the jobbers closed their books, refused to transact any business, and waited the result in almost abject despair. The stocks bore no price, the brokers ceased to issue their lists, and the blackboard was found inadequate to contain the names. Differences to the amount of ten millions were declared, and the entire wall would have been insufficient to contain the names. The practice was therefore dispensed with, and an additional time allowed to settle the accounts. To mitigate the evil the principal holders of foreign securities formed themselves into a society to purchase all stock below forty, but it was found inadequate to meet the catastrophe in the House."

This vivid description bears unmistakable traces of exaggeration, but Mr. Francis was an undoubted authority on his subject.

A couple of years later, in 1837, an American panic brought ruin to many a member of the Stock Exchange and to many of the subjects of Queen Victoria, who had just ascended the throne. Then October 1840 was a black month in the House owing to the rumours of war just previous to the fall of the Thiers Government in France. Consols fluctuated to the extent of four points at a time ;—a fluctuation of $\frac{1}{4}$ nowadays causes much comment. But the next real Stock Exchange sensation was caused by the remarkable Beaumont Smith forgeries of Exchequer Bills, which were discovered at the end of October 1841. It was a member of the Stock Exchange who brought the frauds, which had extended over a period of five years, to light, and many members who had dealt in the false documents took keen interest in the matter. Indeed all the early forties were memorable years, and members of the Stock Exchange rose to the occasion. "Many of the young stock," wrote an old member of the day, "display great anxiety to be peculiar in their dress, which occasions a rage now and then among them for strangely-fashioned hats, deep-striped shirts, long-waisted coats, and other articles of clothing which meet the eye and make a sensation." No wonder, considering that the penny post was just established; the income-tax was inaugurated; the Consols

conversion of Mr. Goulburn was carried out; the Bank Charter Act was passed; the four-pound loaf had risen to 10d. and the Corn Laws had gone by the board; and the Joint Stock Companies Act of 1844 and the Gambling Act of 1845 both received the Royal assent. All these events affected the Stock Exchange more or less directly in the forties. Moreover, Glasgow and Manchester instituted a Stock Exchange of their own in 1844, following the example of Liverpool, which a year or two before had shown similar enterprise—all these provincial Stock Exchanges still do their business mainly through the London House and not independently. And on Tuesday, 9th April 1844, the Three per Cent Consols touched par, and rose above it, for the first time in their long history. But, after all, the great Stock Exchange event of the forties was the Railway Mania.

CHAPTER X

THE RAILWAY MANIA

New railway schemes in 1845—The Stock Exchange too small—Description of the mania and collapse by a member of the day—How the schemes were formulated—A herd of Stags and a party of Stag-hunters—The value of a bow—A new rule as to settlements in 1847—Why some members temporarily retired from the House; a matter of whiskers.

THE memorable railway mania and crash occurred in the year 1845. Money was easy early in the year unfortunately, and on the other hand there was an absence of profitable channels for its employment. The railway company promoter was eager to supply channels of some sort, if not exactly profitable channels. In January 1845 sixteen new companies were registered, and the number steadily increased month by month until it had risen to fifty-two in April. Then it rose by leaps and bounds, and the speculation became fearful. The scrip not only of British railway companies, but also of foreign railway companies, was freely introduced as a gambling counter, and the frenzy extended to dealings in iron itself. The news-

papers teemed with the advertisements of schemes offering profits of eight to ten per cent and over, for no scheme promising less received the slightest attention, and it was easy enough to promise. Long after the Stock Exchange was closed each day the gamble continued in the coffee-houses and other places of resort in the City. Even during the day it overflowed the confines of the House. Much of it was transacted in the Royal Exchange, from which dealers had to be driven for the third time. The number of new projects registered in September was 457, bringing up the total for the three quarters of the year to 1035, and October added 363 more. All were madly welcomed. Hudson, the Railway King, was a god. The Prime Minister himself cut the first sod of the Trent Valley Railway. The Government seemed to be giving encouragement to the mania, and some words of Sir Robert Peel were distorted by the promoters to inflame the fever. It had long before extended to the provinces. Consols themselves were being sold to buy railway stock. The opportune admonitions of the Press were scornfully disregarded. "We cannot," said the *Times*, "add fifty millions of money to railway enterprises without the most ruinous, universal, and desperate confusion." The schemes that were launched would require hundreds of millions to carry them to fruition, and they were still appearing. Large numbers which were sanctioned and advertised by provisional committees were

never registered at all ; it was not the railway that the promoters required, but the deposits and premiums on the shares. Fraud abounded.

Mr. Edward Callow, who became a member of the Stock Exchange just at the time, quite recently published his reminiscences in the *City Press*. "Never since the days of the old South Sea Bubble," he declares, "has wild speculation run so rampantly mad as when George Stephenson had placed his first locomotive—the Rocket—on the metals of the Liverpool and Manchester Railway. The British public led the way of laying down railways all over Great Britain and Ireland, and set an example that every country has since followed. The whole country was speedily seized with an irresistible craving to take a solid and serious part in the great movement. Never, indeed, since the time of Queen Anne and the scenes in Change Alley that have been so vividly depicted on canvas by E. Ward, R.A., when ladies came from the West End to the City and pawned their jewels in order to have a flutter in South Sea shares, never since then has the spirit of speculation been so rife throughout the whole land, and throughout almost all classes, as when the great railway mania set in, and Great Britain, from John o' Groat's to the Land's End, was mapped out with projected railways. A solicitor or two, a civil engineer, a Parliamentary agent, possibly a contractor, a map of England, a pair of compasses, a pencil, and a ruler, were all that were requisite to commence the forma-

tion of a railway company in those halcyon days—at any rate so far as drawing up the prospectus was concerned. Then that document had to be embellished with the names of a few noble and gentle county landowners and well-to-do manufacturers, if the district contained any, as provisional directors. These were all the ingredients for forming a railway company. Many, indeed, were started on the market with no more ingredients, and the shares in them were extensively dealt in, even in some instances before the company was provisionally registered." Previous to the mania the railway share market of the Stock Exchange had been of insignificant proportions, giving business to only four or five brokers and a correspondingly small number of jobbers; but the mania converted it into a vast arena of gambling, and fortunes were made and lost every day. Stock Exchange settlements, which previously occupied only one day, or at the most two days, could scarcely be arranged in a week.

The rage for allotment letters brought a new profession into existence, the profession of the "Alley Men" or "Little-go Men," as they were called—a species of Stag—the Stag of course being he who applies for an allotment of shares, not to hold as a shareholder, but to sell at once at a profit. Let us subpoena Mr. Callow again; he was an eye-witness, and can bear evidence as to the character of these men. "In those times of the vast rush of new railway companies," he says, "their commercial parturi-

tion was conducted very differently from the method of the present day. No money deposit was required from the applicant for shares as an accompaniment to his letter of application. The directors of companies were content to receive the letters asking for allotments of shares from Tom, Dick, and Harry, and consequently every one who could write a presentable hand was welcome to write on the prescribed form of application, and ask for an allotment. Hundreds of men both in London and the provinces applied, many without the remotest idea of ever paying the deposit to the bankers that was asked for in the letter of allotment, and without the slightest means of doing so, however desirous they might be. These people were called 'Stags,' and Capel Court received the name of Stag Alley. The prospectuses of the various embryo companies were handed out gratuitously to every one calling at their temporary offices, and if a dozen were asked for they were freely given, except in a very few instances. Every prospectus contained a form of application, which the Stag filled up. Even the outlay of one penny for a postage stamp might be saved by the London Stag if he took the letter of application to the office himself and dropped it in the letter-box. All that the very beggar in the street had to do was to fill up the form in a decent handwriting for whatever number of shares he chose to name. A decent address was, of course, necessary and a reference. If his own abode was in a shady

locality he surmounted any difficulty on that score by arranging with some friend whose address would be likely to pass muster. I have heard that one man used 'Whetstone Park, Middlesex,' for some months as his address, and the letters reached him in that dingy back slum that runs between Holborn and Lincoln's Inn Fields from Great to Little Turnstile, which to this day bears that pretentious and almost aristocratic name. Jeames, of Berkeley Square, as personified in the articles by Thackeray, was the *beau ideal* of an upper-crust Stag. Jeames had the great advantage of being able to make use of his noble master's aristocratic address for all it was worth. A letter from such an address was attended to at once, and was no doubt put on one side as deserving special and liberal attention. As soon as the allotment letters were delivered the Stag allottees to a man rushed off to the City to turn them into cash."

These men, it appears, though not from Mr. Callow's evidence, became the tools and confederates of unscrupulous members of the Stock Exchange, who, being disinclined for various reasons to apply for shares themselves, bought allotment letters from the Alley Men and paid them a small consideration for signing the deed, the great responsibility dreaded in these transactions, because it meant liability for calls. Having enabled the Alley Men to pay the deposit they took the scrip receipts as their own, at a price bargained, and so escaped the

risk of calls as original subscribers. In time the profession of the Alley Men developed even further. Becoming acquainted with the names of their kind, they turned as it were King's evidence, hiring themselves out to the promoters of the railway schemes and advising them to whom they should make allotments and to whom they should not. From Stags they developed into Stag-hunters, and were so called. Besides being a Stag or Stag-hunter, often both, the Alley Man did business on his own account. One of them bowed to Sir Isaac Goldsmid to impress the victim with whom he was in conversation with his importance; Sir Isaac courteously returned the salute, thinking he had met the man before, and this was sufficient, as it afterwards transpired, to allure the victim into the trap of dealing.

Thus did the railway mania gallop wildly along, until towards the end of October it was brought to a sudden stop, and the inevitable panic began to set in. The Bank rate had just been advanced with the idea of checking the speculation, and the effect of the movement was to call attention to the position. The depression that seized the market became more marked hour by hour. All kinds of securities fell, and many of the railway shares dropped to a heavy discount. The shock was greatest when the question of the deposits required by the Government on each railway scheme was presented in its true light. Money was becoming scarcer and scarcer, and it was quite

obvious that a large number of the undertakings would have to be abandoned, at least for a time, through the utter inability to comply with Government requirements, not only as to deposits but in other ways. As a matter of fact, twenty or thirty millions sterling of deposit money was calculated to be due, but out of 1263 railway companies not half could comply with even the initial requirements. Calls on capital to the full amount subscribed were rapidly becoming payable. To turn to Mr. Edward Callow, the member of the Stock Exchange, again, he tells us that the public took alarm all over the country; those who a week before looked upon the bundles of railway scrip, neatly tied up and lying snugly in their safes and strong-boxes, as representing undoubted wealth, were now madly eager to get rid of them at any price that was obtainable, heedless of the real and intrinsic value of many of them, and not thinking for a moment of separating the grain from the chaff—the sound lines that had already obtained their Parliamentary powers from the speculative and opposing schemes. It was like a stampede of wild cattle rushing before a prairie fire. Those members of the Stock Exchange who boldly went in for selling and bearing everything made more money during the first few weeks of the panic than they had made throughout the whole of the mania. Each day, as orders to sell arrived from the country, the markets went from worse to worse. Failures both inside and

outside the Stock Exchange were terribly numerous, and the sound of the hammer declaring defaulters was heard with disastrous frequency day after day. Those who had been directors, and those who were possessed of property, and had signed the Parliamentary papers for their shares, found themselves liable to be pounced upon for their last shilling. There was no limited liability in those days. Every holder of only one share could be called upon for the whole debts and liabilities of the company. The law and Parliamentary expenses were enormous. The lawyers took good care that their bills of costs should be paid somehow, and by some one. One of the Stag genus, who had nothing the law could take from him, on being served with a writ for some large amount on behalf of a company whose very name he had forgotten soon after he had received his profit on the allotment, said to the lawyer's clerk who had handed him the writ, "I say, young shaver, I see this writ is endorsed 'costs £5 : 6 : 8.' Do your people expect that I shall ever pay them this, to say nothing about the several thousands the writ is for?" The reply was enlightening. "Oh, no! we don't expect anything of the kind. We're obliged to serve you with the writ, or we could not charge for it in our general bill to the company." Engineers also had large slices of the money. Many innocent men liable for calls had to fly the country, as if they had committed some crime, and to live abroad for many years upon

what remnants of their property they could manage to save from the general wreck and from the grasp of the law. The panic and consequent depreciation in the value of all sorts of scrip and shares caused an entire stoppage of all speculation. A large number of the new railway schemes had to be abandoned, and many persons possessed of property and estates found themselves involved in sudden and unforeseen disaster.

Of course from out the position arose a heavy crop of litigation on behalf of those who grasped at the last straw to save them from sinking amidst their ruinous liabilities, and many were the disclosures of the law courts. There were exposures, too, in Sir Robert Peel's speech and in the debate in Parliament, which led to Lord Dalhousie's Act for the dissolution of the bubble companies. Shortly afterwards the new Bank Act had to be suspended ; which meant that Bank of England notes were not changeable into gold.

Out of the railway mania sprang an important new Stock Exchange Rule as to Special Settlements ; that is, a rule enforcing payment on a fixed date for shares that had been bought, and delivery of shares that had been sold. The minutes of the Stock Exchange record an instance of the appointment of a special settlement as far back as 1829. The practice no doubt originated still earlier, probably being adopted to meet the case of foreign loans and other ventures introduced

about the years 1824 and 1825. But during the railway mania enormous operations were of course entered into for the coming-out of scrip, payment to be made when the company issued the paper representing its shares, and so many disputes and questions arose out of these operations that a new rule, the Special Settlement Rule, was necessitated. After recommendation by a sub-committee, it was eventually passed by the Stock Exchange Committee in 1847. This rule dealt with the question of what constituted, according to Stock Exchange law, such coming-out of scrip; it stopped partial settlements in which preferential payments were wont to be made—preferential payments which were contrary to the whole spirit of the system of the Stock Exchange; it enforced the completion of contracts by regulations regarding buying-in of shares that could not be delivered and selling-out of shares for which a buyer's name was not forthcoming; and it settled once and for all complicated questions arising from the creation of fresh capital and the delay which so frequently occurred in the issue of the necessary scrip certificates. The Special Settlement Rule was a salutary rule much to be desired.

When the railway crisis was at its height, and amidst the activity of the market shrewd members were able to turn their hours into gold, a few of them had to absent themselves from the House under circumstances which were peculiarly interesting. It came about

thus. Several of the members were honoured with an invitation to attend one of the two Court fancy-dress balls given at the time at Buckingham Palace, and the matter attracted the more notice because dress of the date of George II. was compulsory—powder and patches for the ladies and wigs and clean-shaven faces for the gentlemen. The honour of the invitation was amply sufficient amends for the banter to which those who had to sacrifice their hirsute appendages had perforce to submit from their fellow-members ; one of the Ricardo family is said to have specially regretted the sacrifice of his luxuriant silken whiskers. By some the honour was evidently deemed to make far more than amends, for in a few cases members appeared clean-shaven to suggest that they were Court guests, although such was not the case. Unfortunately for the pretenders the *Court Circular*, with a full list of those who had attended the ball, was prominently displayed in the House. It was under these circumstances that they found it expedient to retire from business until such time as their whiskers grew again.

CHAPTER XI

IN THE MIDDLE OF THE NINETEENTH CENTURY

Number and subscription of members—A statement of Stock Exchange dividends for fifty years—The development of the “Official List”—Brokers’ commissions—The growth and status of the Funds—Consols a gambling counter—The dress and the resorts of the stockbroker—The Rules in the middle of the century—Hours and holidays—The black board and the black book of the House—Stock Exchange fun in the middle of the century and to-day—A presentation—Fictitious business and its effects—The Stock Exchange and Gretna Green—An advertising broker.

WHEN it reached the end of the year 1850 the Stock Exchange could review with satisfaction and with pride its half-century’s career at Capel Court. Its status in the eyes of the nation had become important, its business had flourished, its membership had increased. Indeed, the institution had overgrown its home, and it was already apparent that the building, although it had been enlarged three or four times since its erection, would have to be demolished and replaced with another more worthy of the great consequence to which the Stock Exchange had attained.

There is in the possession of the writer a copy of the mid-century list of members—whose subscription, by the way, was still ten pounds a year. This list, covering the year 1850-51—the Stock Exchange year always ends on 25th March—shows that the number of members in the middle of the century was 864. The Chairman of the Committee for General Purposes was Mr. James Hutchinson, and the Deputy Chairman Mr. Charles Cancellor; the Official Assignees were Mr. John Risdon and Mr. George William Young; and the Secretary was Mr. George Webb. Of the 864 mid-century members about twenty are members to-day. Sixteen firms which existed then exist under practically the same title to-day, including Mullens Marshall & Co., the Government brokers.

To the proprietors, that is, those members of the Stock Exchange who were also shareholders, large and increasing profits had accrued from the very beginning throughout the whole of the half-century. Fifty pounds was originally paid up on the shares of the Stock Exchange in the year 1802, and the shares, carrying unlimited liability, but with calls restricted to £50 per share in any one year, had remained at £50 paid throughout the whole of the first half of the century—until 1853 in fact, when another £25 was called up for the purpose of rebuilding the House. By the year 1809 the capital originally subscribed had actually been returned in dividends—£10 per share

being paid for five consecutive years. The dividend was also £10 per share in 1810. Then for the two following years it dropped to £8. For each of the four years 1813 to 1816 the dividend was £9 per share. The £10 payment was resumed in 1817 and maintained until 1820. In 1821 a dividend of £12:10s. was distributed, for the next three years £13, for the next two years £15, for the next three years £16, and for the next two years £15. This brings us up to the year 1832, when the dividend dropped to £10 per share and remained at that rate until 1835, when £12 was paid. In 1836 the dividend was ten guineas, and for each of the three following years it was £13:10s. In 1840 it was £12:10s., in 1841 £10, in 1842 it dropped to £6, moving to £7 in 1843 and 1844, and to £8 in 1845. Then there was a sudden increase to £15 in 1846, after the railway mania, and this rate was maintained until 1849, when only £13 was paid. But in the last year of the half-century, 1850, the rate was again as high as £15 per share. Thus the Stock Exchange always has been, as it is now, a richly paying concern.

Meantime the *Official List* of securities quoted in the Stock Exchange had of course increased in size and interest with the growth of the institution. At the beginning of the second quarter of the century Scotch securities, which had hitherto been quoted separately, were included, but up to 1843 the list was still published only twice a week. Early in the

following year a *Daily Railway Share List* was published to accompany it, this of course being necessitated by the increase in the number of railway companies. It began with the securities of seventy-six English railways and fifteen foreign railways. In 1847 the other list was again enlarged, and soon after the middle of the century the two lists were combined. A copy of the London Daily Share List, dated 27th November 1852, is in the possession of the writer. It is a single sheet, measuring 14 inches by 10 inches, printed on one side only, and containing the quotations of fewer than 300 securities. The present daily list, at the beginning of the twentieth century, contains twelve pages, measuring 17 inches by 14 inches, and gives the quotations of some 4000 securities. The mid-century list is devoted almost entirely to railways, most of which have been absorbed into the big systems existing now. Amongst the Foreign Railways quoted are many French ones, of which we hear nothing nowadays. The shares of about forty mining companies are quoted, only a couple of which exist to-day. Consols are quoted in large type at the foot of the list—Three per Cents at $101\frac{1}{4}-\frac{3}{8}$.

A statement of brokers' commissions published in the middle of the century gives the commissions chargeable on transactions in English stock at 2s. 6d. per cent; and on shares, 1s. 3d. under the value of £5; 2s. 6d. when the shares amounted in value to £5 and

under £20; 5s. between £20 and £50; and 10s. on shares amounting in value to £50 and over.

Although all kinds of stocks and shares, as has been seen, had been introduced to the Stock Exchange during the half-century, and the great gold discoveries of 1848 to 1850 were just adding a new element of speculation, the major part of the business of the members of the House consisted of dealing in the Funds. At this time the National Debt amounted to £830,000,000, and the Three per Cent Consols, quoted just below par, had by no means the status that Consols have now. We find Mr. John Francis, in the preface to his work published about this time, describing the National Debt as an encumbrance which must sooner or later be reduced or repudiated! It has been reduced and has grown again. But the idea that repudiation was even possible, if not indeed probable, led to gambling in the Funds. By the way, the Bank of England had just managed to arrange that the transfer books of the Funds should be closed only three weeks for the purpose of the preparation of the dividends. Complaints had been made as early as 1817 that the time taken was six weeks, but at six weeks it remained until thirty years afterwards. Of course when the books were closed, and no investment transfers could be made, business in the Stock Exchange was flat, and Mr. Callow tells us that the stockbroker of the period—who came to business in top-boots and

breeches, blue coat and gilt buttons, pure white neckerchief and ruffles, and had his back hair neatly tied into a pigtail—had no work to do, and was fain to make holiday and take his wife and daughters to Hornsey Wood House, Ranelagh, or Hampton Court for a trip into the country. On business days the elderly member would step into Birch's about twelve o'clock for his basin of soup and glass of Madeira; and the Auction Mart Coffee Room, where they sold sherry, was a popular resort. But more substantial fare was consumed by members. The writer of *London at Dinner*, published in the middle of the century, says: "The British rump steak is furnished in the primest condition, to be had nowhere else in the world. Nothing can surpass it for marrowy sweetness and tenderness. The cooks standing before you in their paper caps, armed with weapons of office, may be said to represent the pillars of the Stock Exchange, for on them both Bull and Bear depend utterly for nourishment. Let us, however, while giving it due honour, admit that this sort of fare is only continuously suitable for Bull and Bear." It was in later years that there stood, where the Threadneedle Street Post Office now stands, a very popular Stock Exchange eating-house, which gained some of its popularity from the good-natured submission of Mr. Moth, the proprietor, to the little ways of the Stock Exchange clerks on late settlement nights. For instance, he did not object to having his pockets filled with mustard

if he had been rendered helpless by treatment with his own good fare. Elphinstone's, where 23 Throgmorton Street now stands, was more a bun-shop than a restaurant. You can sometimes induce a certain Manager of the Stock Exchange to tell you how he triumphed over his fellow-clerk who accepted a challenge to eat a shillingsworth of the Bath buns at a sitting. Instead of obtaining the seven free, he had to pay for the five under which he succumbed.

A comparison of the Rules of the Stock Exchange as they were then, in the middle of the century, with the Rules as they are now, discloses not a few points well worthy of note, some important, some curious. To begin with, the Book of Rules then contained regulations to the number of 150, in 57 pages, whereas now it contains regulations to the number of nearly 200, in about 80 pages. Critics have recently described the Stock Exchange as a wonderful institution with laws of its own which neither its members nor outsiders can understand. There were two rules in the old book as to holidays which find no place in the present one. One provided that the Stock Exchange should be closed on Good Friday and Christmas Day in every year, and on every day appointed by Royal Proclamation as a day of fasting or thanksgiving, but that it should not be closed on any other day except by order of the Committee. The other provided that the Committee should meet at one o'clock on the day preceding any Bank Holiday for the pur-

pose of determining whether the Stock Exchange should be shut on such holiday or not—a rule which nowadays seems certainly remarkable, especially considering that the day preceding any Bank Holiday is usually a Sunday. In place of these rules the present one as to holidays appoints the First of January, Easter Monday, the First of May, Whit Monday, the First Monday in August, the First of November, and the Twenty-sixth of December as holidays, unless specially ordered otherwise by the Committee. The mid-century rule as to the hours of the House is interesting. “The hours of business in the Stock Exchange,” it says, “are from half-past ten until three o’clock, with the exception of Monday, when business shall not commence before eleven o’clock, and Saturday, when the House will be closed at two o’clock, and the Committee will recognise such bargains only as are done within these hours.” The hours of business as laid down by the Rules now are from eleven until three o’clock, business closing at one o’clock on Saturdays, but the House is kept open after these official business hours—until four o’clock on ordinary days and until half-past one on Saturdays. The hours are extended at settlement time. The frantic rush to get into the House by closing time nearly always affords an amusing spectacle to the passer-by. It is quite a tradition amongst old members that they must be in at the death, and there is a daily race for the doors as the clocks in

the neighbourhood begin to strike the hour. The waiters who line up are obdurate to all entreaties, pecuniary, tearful, or anathematical, and refuse on any consideration whatever to allow any member to get in when once the hour has struck. There was until recently a certain corridor between the Threadneedle Street Post Office and the House which offered secret access for the wily many minutes after the hour, but this corridor has been closed.

One mid-century rule provided that the business of the Committee should consist partly of "the investigation of claims, and other matters relating to the interests of individuals or of the House at large." The corresponding rule now provides for "the investigation of claims and other matters relating to the interests of the Members or of the public." Moreover, a mid-century rule declared that "the Committee would not feel themselves called upon to entertain any question submitted to them by any one not a Member of the Stock Exchange against any Member, unless such Member shall have been employed by the complainant in the capacity of a Broker." There is no such rule now.

According to the old Rules a list of all the clerks admitted to the Stock Exchange had to be exhibited in some conspicuous part of the House; now, however, the names of authorised clerks alone are posted—that is, clerks who are authorised to do business for their employers as distinct from clerks who are permitted to

enter the House to check bargains, obtain prices, convey messages, and the like.

The rules relating to failures show comparatively little alteration. One mid-century rule forbade members to carry on the business of a defaulter for the benefit of such defaulter; but the present rule on the subject contains an important and widely-appreciated addition, "without the consent of the creditors and the sanction of the Committee." The regulation forbidding members to transact business with any principal, that is, client or outsider, who, to the member's knowledge, is in default to another member, is nearly identical in each book as concerns the first clause, but while the present rule finishes here, the older rule boldly stated that "the Committee recommend that every Member who has had dealings with a party who has acted dishonestly towards him should insert the name and address of such individual in a book, which is kept by the Clerk of the House, and open to the Members of the Stock Exchange." There is no such Black Book now, but many members advocate its revival, declaring that it would save them an immense amount of money. A certain class of clients seem to have a habit of failing to pay one broker and then getting an account opened with another. An interesting, awe-inspiring rule as to defaulters, which existed in the middle of the century, but is now no more, was as follows: "Whenever the creditors of a defaulter shall represent to the Committee, or

whenever it shall otherwise appear to the Committee, that his conduct has been dishonourable, the Committee have the right to cause the name of such defaulter to be affixed on the blackboard in the Stock Exchange." The blackboard has been abolished for many a long year.

The last rule of all in the old mid-century book was as to the granting of a settlement. "The Committee," it says, "will entertain no application for fixing a settling day in the shares of any new company, unless the Member applying for the same attend the Committee in person with a certificate from the secretary of such Company that the subscription list is full (with the exception of such shares as may be reserved for special purposes), that not less than two-thirds of the scrip have been paid upon and are ready to be issued, and that the period publicly advertised for signing the deed has expired, and that there is therefore no impediment to the settlement of the account." This special settlement question has since given rise to more discussion and legislation on the Stock Exchange than perhaps any other.

In the middle of the century, our friend Mr. Callow tells us in his reminiscences, it was necessary for every one having a shop or office in the City to be a freeman. "Unless I was a liveryman of some one or other of the City Guilds I could not obtain a sworn broker's ticket. I selected the Plasterers' Company, as in the first place it was a cheap one to enter,

and several of my friends in the House were members of its livery. At an expenditure of eighty pounds I became a full-fledged livery-man of the City of London with a broker's licence."

The member of the House seems to have been quite as fond of his little joke, usually of a practical nature, in the middle of the century as he is at the beginning of a new one. To many of the jokes the play of the present day bears a strong ancestral likeness. The wag of the period—the Charlie Clarke of the period—was Dick Cohen, who described himself as Gentile Cohen. He was the merriest, noisiest member of them all, a fellow of infinite jest, always ready to aid in any excitement.

A well-known and wealthy member laboured under the disadvantage of an untidy and unkempt appearance. His neckerchief was not of the whitest, his pigtail not of the neatest, his gilt buttons not of the brightest. As he entered the Shorter's Court door on one occasion he found a small group of fellow-members deferentially awaiting his arrival. Their spokesman had been deputed by a few of the members of the House to beg their friend's acceptance of a slight token of the regard in which he was universally held. Would he be good enough to step as far as the centre of the Share Market, where the other members of the Presentation Committee were awaiting him? The victim, puffed with pride, was led to the appointed spot, followed

by half the Consol Market, where he found quite a crowd surrounding the veiled gift. There were one or two eulogistic speeches, musical honours, and then the unveiling of the gift, which consisted of a couple of huckaback towels and a bar of best primrose soap.

A common trick when a small crowd of members was gathered round a subscription list or other notice was to burst a bag of sawdust or flour over their heads. To deal with a new and guileless member in Chinese Turnpike Bonds or in Sky and Deep Sea Junction was not an uncommon occurrence. In furtherance of this description of practical joke false telegrams are known to have been sent, and even imitation prospectuses printed. Amongst other examples of these imaginary stocks are Corean Consols, Grecian Oils, and more recently, Chartered Second Debentures, and Whiteley Deferred. Now and then the joke has been carried much too far, or played upon an unsuitable victim. In one instance, a jobber who thought he had made a fortune by his dealings in a stock which he ultimately discovered did not exist, suffered so much from disappointment that he all but lost his reason, and resigned his membership of the Stock Exchange in chagrin. Another, believing that he had lost far beyond his means, was on the point of committing suicide when the joke was happily explained just in time.

Sometimes these jokes and tricks actually result in pecuniary profit and loss. For in-

stance, in some of the mining markets it is the discreditable practice for jobbers to look over one another's books if they can, and shape their own courses accordingly. Now a dealer found that by some mistake he was a bull of 1500 Associated shares, by no means to his satisfaction. He knew that if his mistake were discovered in the market it would mean a swift putting-down of the price. Withdrawing himself to think the matter over, he hit upon a simple way of circumventing his friendly enemies. He calmly transferred the bargain to the bear side of his dealing-book and walked into the centre of the market, asking the price of Associated. Those around caught sight of his innocently-open book, saw that he was, as they thought, a bear of 1500 shares, and started lustily bidding for them. The astute jobber by this means was enabled to sell all his shares at $\frac{1}{8}$ profit, clearing about £190 over the error.

It was not an uncommon practice in the middle of the century for a member to quietly set light to the lower corner of a newspaper another was reading, and then slip round and innocently take a seat beside him to await the result. Truly history repeats itself. Members still like playing with fire in this and other ways. It is no unusual thing for a big paper bonfire to blaze suddenly forth and to continue burning merrily for many minutes, surrounded by a large crowd, their faces aglow with the reflection of the blaze, what time the incendiaries make themselves scarce—for one never knows

when a Manager or Committee-man may put in an appearance. At the end of every October the Committee issues an official notice appealing to the members to refrain from firework displays in the House on Guy Fawkes's Day; and as a result the practice, very rife a few years ago, has almost died out. A filbert-nut shell, charged with gunpowder, has been known sometimes to explode under the bench of a nervous member. It is told how the trick was once played upon one Harry Brown, whose equanimity was so disturbed that he forthwith left the House angrily vowing vengeance. In half-an-hour, when the affair was almost forgotten, the victim reappeared with a large cocoa-nut, fuse attached, which he hurriedly laid down in the centre of the House. Members, really scared and wondering whether Harry Brown realised what he was doing, remembered important engagements elsewhere. One Manager, on his way out, ordered a waiter to remove the cocoa-nut, which he flatly refused to do, as by this time the fuse was ominously spluttering. Those few who, like Harry Brown himself, bravely remained in the far confines of the deserted House looking on, had the satisfaction of seeing the fuse splutter itself out. There was nothing but the milk in the cocoa-nut.

Practical joking in the Stock Exchange is not now what it used to be, perhaps because of the more sober spirit of the age; but where men, many young, do congregate fun is sure to assert itself from time to time. A large pulpy

orange may occasionally be shot by a member into the air, he knows not where. A hat may suddenly become the centre of an excited throng of unorganised footballers. Race sweepstakes and Christmas raffles are bound to assume enormous proportions, and in a raffle a Hebrew member may occasionally draw a pound of pork sausages instead of a turkey. A juggling member with nothing better to do may give an entertainment for the benefit of his fellow-idlers, who soon form a circle, and then an impromptu concert may naturally suggest itself. When a youthful member of the Stock Exchange goes around all unconscious of an empty Carlsbad plum-box attached to a back-button of his frock-coat, and wondering what on earth the fellows are all grinning at, the episode may flatly pass off; but the experienced jobber knows that he may have to give up all idea of business for an hour or so, so infectious is this kind of thing once it is set afoot.

Often suffused in merriment in the middle of the century, the House was sometimes steeped in romance. Even to-day, when Gretna Green is a mere memory, much is often made of the marriage of a member, champagne and cigars being laid on in unlimited supply at the office of the benedict. And intense interest was recently taken by the House almost as a whole in the appearance in a Sunday paper of an advertisement to the effect that "Stock Exchange gentleman, 27,

wishes to correspond with young lady with view to matrimony, strictly genuine, photos returned." Staid gentlemen protested that by such scandals as these it was that members earned a reputation for cupidity. But about the middle of the century no fewer than three members were affected simultaneously by Gretna Green marriages. Mr. George Harris and Mr. Jem Hawkins, both members, each hurried his bride to the accommodating blacksmith. The bride of the first was the daughter of Mr. Liston, one of the most eminent surgeons of the day; but the future Mrs. Hawkins was a daughter of another member, one of the leading figures in the Mexican Market. Happily for the peace of the House, the unwilling father-in-law soon relented towards the intrepid young broker, who had taken the precaution before his elopement to rapidly amass a fortune.

Another member of a different stamp who made a fortune in those days was a broker whose speciality was investment business for ladies. As a deacon of an Islington chapel he was most assiduous in his attentions to the ladies of the congregation. In showing them to their seats he handed them one of his own hymn-books, on the title-page of which was inscribed his name and address as British and Foreign Stock and Share Broker, Capel Court, Bartholomew Lane, London. It is to be presumed that the rules against members advertising would prevent such cases nowadays.

CHAPTER XII

THE REBUILDING OF THE HOUSE

A Consols record in 1852—Principals and brokers; a lot of litigation—Blackboard laxity—Alterations prior to rebuilding—A last glance at the first Capel Court Stock Exchange—The Hall of Commerce as the Stock Exchange—Description of the new building—Mabey's, Porch's, and a Stock Exchange prize-fight—Why the Consol luncheon bar did not pay—The new Stock Exchange as all the hells—The Stock Exchange Almanack for 1856—An era of crises; failure of seventy members in a panic—Outside brokers and the Stock Exchange in 1858—The House *versus* Russia—Loosening the Lord Mayor's yoke—Abolition of Sir John Barnard's Act.

At the beginning of the second half of the nineteenth century the Three per Cent Consols scored a record. The same stock which had stood at $47\frac{1}{2}$ at the end of the eighteenth century reached in the middle of the year 1852 the price of 102.

In the same year the case of *Grizewood v. Blane*, so important to stockbrokers, was tried, and its decision was immediately followed by a flood of actions brought by unscrupulous principals, who attempted to repudiate bargains carried out for them by their brokers on the

Stock Exchange. The decision was to the effect that speculative transactions might be brought within the Gaming and Wagering Act. Mr. Grizewood was a jobber, and Mr. Blane was the principal of the broker with whom he had been dealing. The jobber sued the principal for differences in the price of some railway shares. Chief Justice Jervis left it to the jury to say whether either the jobber or the speculator really meant to purchase or sell the shares, telling them that if they did not, if the transaction were one for differences only, the contract was, in his opinion, a gambling transaction, and could not be enforced. The jury found for the speculative defendant principal, the direction of the Chief Justice was upheld in the Court of Common Pleas, and a severe blow was administered to members of the Stock Exchange. In this case the member was the plaintiff; but in the series of actions which followed at the instance of principals dishonourable enough to pick an easy way out of unprofitable bargains, the members received some consolation. In 1854, in the cases of *Oulds v. Harrison* and *Jessop v. Lutwyche* and in subsequent cases, it was shown that although a contract might be void under the Act as between the jobber and the broker or the broker's principal, there was nothing in the statute to prevent the broker suing his principal for work and labour done and money paid in the carrying out of the contract.

Nearly fifty years later, there has recently

been another important action establishing the relations between the jobber and the client of a broker; but in this instance of a defaulting broker. In the case of *Levitt and Thornton v. Hamblett*, the client sought to draw out of an unprofitable transaction on the excuse that between the time of his entering into it and the money becoming due his broker had failed. This the client claimed should annul the transaction, in which case the loss would have fallen upon the jobber who had sold him the shares. But the courts, even on appeal, decided in favour of the jobber, and the client had to pay, the fact of the broker, his agent, having failed making no difference, in the eye of the law, to his contract with the jobber to take the shares bought.

Meantime, if we may believe a critic of the day, the Stock Exchange Committee had become a little lax in dealing with unscrupulous members and their clients in the matter of that blackboard. "Dishonest defaulters," wrote the critic, "no matter whether members or principals, are punished, and their characters blasted, by the suspension of a blackboard in a conspicuous part of the House on which their names are painted at full length. We are sorry to notice that this practice is not followed with impartiality. Individuals whose conduct merited the penalty have recently, we notice, escaped the ordeal."

Not only the blackboard but the whole of the House was about to be pulled down, in

such rigorous fashion as to leave scarcely one stone upon another. Although the Foreign Stock Exchange had been fully united by this time with the main building, the accommodation had become totally inadequate to the requirements of the members, despite alterations, patchings, and enlargements. Since the House had been taken at the beginning of the century an extension had brought the entrance in Capel Court westward to the position it occupies now; the building had also been extended eastward and northward, so that the original area had been greatly increased, and one frontage had been acquired to Shorter's Court and another to Throgmorton Street. But all this was of insufficient avail. The Managers determined on the erection of a new Stock Exchange altogether, and we must now take a last glance at the old one. In a work more or less architectural, called *London Interiors*, published about this time by Virtue, and dedicated to Queen Victoria, there was a playful allusion to the name of the architect and the nature of the original building: "The name strikes somewhat as a misnomer or contradiction with reference to the fabric itself, there being as little of the 'peacock' quality as can well be imagined. One would rather fancy it to have been designed by one of the lame ducks about 'Change. It appears, moreover, to have undergone considerable alteration since it was first erected, at least in the inside. Ionic columns have there taken

the place of the piers and arches shown in the earlier views of the interior. It must still, however, be content with the very equivocal sort of praise which has been bestowed upon it, that of being very neat, which when applied to a building or design is usually a civil expression equivalent to passably dowdyish." It was this building that was to give way to the new Stock Exchange. The Managers spent £6000 upon an augmentation of the site; they accepted the designs of Mr. Thomas Allason; they gave Messrs. W. Cubitt & Company the contract for building on an original estimate of £10,400, although £20,000 was ultimately nearer the total cost of the enterprise; and before operations were commenced on 1st June 1853, they had engaged the Hall of Commerce as a temporary Stock Exchange.

The Hall of Commerce, which during part of 1853 and 1854 was the Stock Exchange, reared its massive pile in Threadneedle Street, where a French Protestant church had previously stood. It owed its being to the enterprise of Mr. Edward Moxhay, who thought he discerned a short-felt want for it soon after the destruction of the second Royal Exchange by fire early in 1838. In that fire, by the way, about a dozen members of the Stock Exchange lost their offices and all they contained. Accordingly the Hall of Commerce, which took two or three years to build, was opened in 1843, the Lord Mayor, several of the Aldermen, and Lord John Russell assisting

at the ceremony. So that it had entered its teens by the time it became the temporary Stock Exchange. It was said to have cost some £70,000, and was certainly a handsome building, replete with every convenience for the conduct of commerce. Its members used it as a kind of club exchange, and a good deal of mining speculation even was transacted within its walls. But it was never a success, especially as the Royal Exchange was soon rebuilt. The original subscription of its members, five guineas a year, had to be reduced to a guinea and a half. Long after the members of the Stock Exchange had returned to their own new home, in 1855 in fact, the Hall of Commerce was largely reconstructed, as was also, by the way, in the same year, South Sea House. Like South Sea House, the Hall of Commerce eventually became a bank; it is now the Consolidated Bank—Parr's. But while the Stock Exchange was being rebuilt the Hall of Commerce was a very convenient resort for its members.

The members assembled in their new Stock Exchange for the first time in March 1854. It was found that no part of the former building remained above ground, except possibly some of the brick walls on the south side. The new Stock Exchange was what is now known by members as the Old House, the important addition of the handsome New House having been made more than thirty years later. It was, and is, a structure of

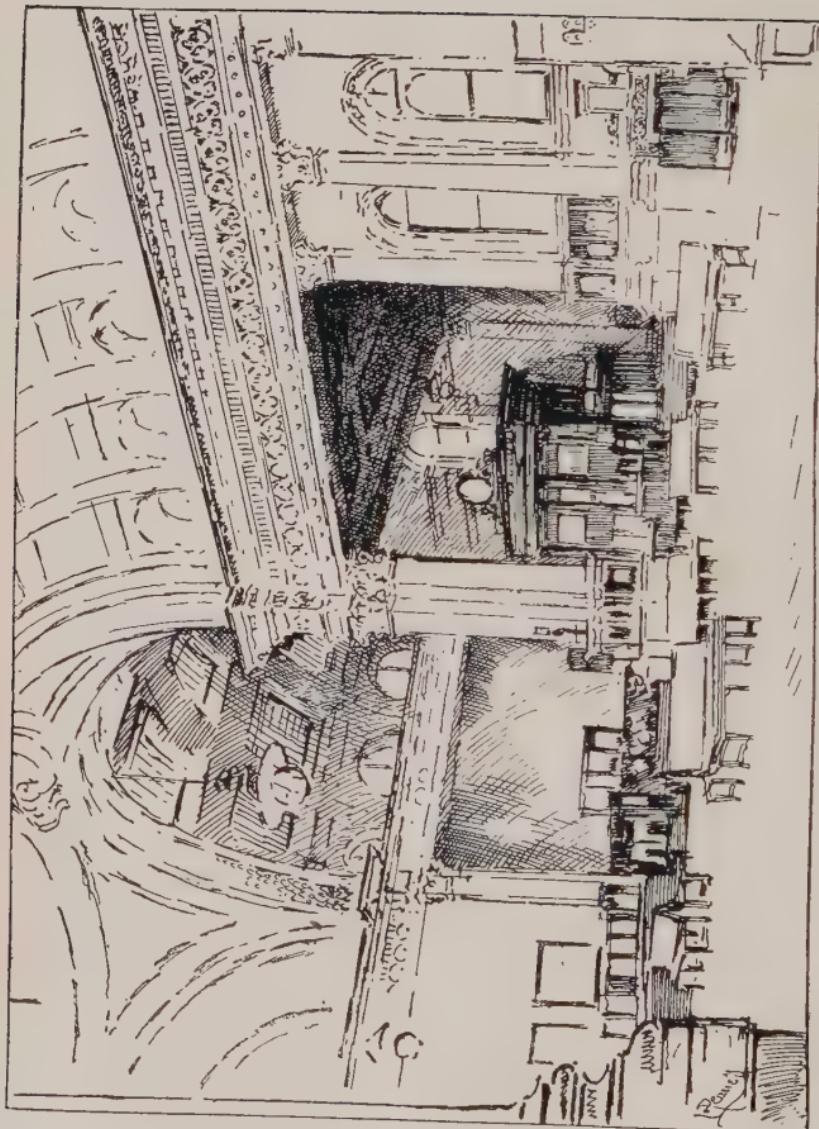
brick, roofed with wood, with ironwork in the piers and some of the beams, and the whole of the interior was plastered with somewhat elaborate ornament. Though extended it has not been materially altered since its erection, the principal change being the substitution in 1886 of marble for the plaster on the walls. Mr. Allason's design was an effective one, the lighting being satisfactory, and the excess of ornament and numerous broken surfaces probably having a good deal to do with the success of the building from an acoustic point of view. In the year after its opening, 1855, Mr. J. J. Cole was appointed architect of the Stock Exchange, a position he retained for thirty-five years, so that the greater part of the subsequent buildings were erected from his designs. Year by year the Stock Exchange, even the new building, was altered and enlarged, as year by year it is being altered and enlarged now. Surrounding properties were even being absorbed, and every available inch utilised for the constant growth of the institution. By 1874 the total floor area of the Stock Exchange was about 8400 square feet, and at this it remained for the next decade.

Mabey's, the famous Stock Exchange restaurant, began to flourish in the heart of the House when it was rebuilt in 1854. At first Mabey's was in the basement, where the Stock Exchange Settling Room now is, but in 1872 it moved upstairs. Many a daring deal has been arranged over those tables and over those fine

wines. Mabey's wine it was, or rather its disappearance, that gave rise to one of the most intricate of Stock Exchange mysteries that ever presented itself for unravelment. But eventually the two House waiters who approached the cellars from below were trapped. Now not only the wine, but Mabey's itself is to disappear from the confines of the Stock Exchange, and there is many a sigh. But the members are on with the new love before they are off with the old, as witness the popularity of the new Throgmorton Restaurant which has recently arisen in splendour to furnish the Stock Exchange with a table of rich luxury such as heretofore was known only in the fashionable West End. Moreover, there will still be lunching in the House itself, for the Managers and Committee have their own luncheon rooms, with a kitchen, an excellent cellar, a lady cook, a butler, and two waiters.

As to Porch's—another famous Stock Exchange restaurant—its associations are almost as rich as Mabey's. When it was as close to the Stock Exchange as Mabey's, there was fascination in lunching by candle-light in a room originally intended for a coal-cellar. Porch's has emigrated to near Angel Court long since. Before it took over the restaurant in Hercules Passage that restaurant was known as Dyer's Shades, and it was noted for quiet prize-fights. House tradition tells yet of the sanguinary contest between old Bill Eykyn and one of the Rougemonts. To allow of its

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From a pen-and-ink sketch by Joseph Pennell.

THE CONSOL MARKET.

uninterrupted progress Mr. Dyer was made very drunk and placed in a corner of the room, whilst in another corner sat Mrs. Dyer, strapped to her chair and gagged.

Reminiscence relates that at the opening of the new Stock Exchange in 1854 a luncheon bar was found in the place now given up to the Consol Bar. It was kept by a little old lady, a widow, who always declared that she lost money over the business, chiefly because her customers were mainly Jews, who would promise to pay her on a Saturday, and then not come at all. It is also said that little tables were provided for lunch in the Consol Market, but the details are conflicting.

Here are some extracts from a description of the Stock Exchange, inside and out, but especially out, written at the time by an admiring onlooker. “The grand mart for the traffic in such things is a large building situate in Capel Court, just opposite the Bank of England. It has three other entrances—one in Shorter’s Court, one in New Court, and one in Hercules Passage. You cannot get in, for a porter guards each door, and if you elude him you are easily detected and obliged to beat a precipitate retreat. But from the entrance in Hercules Passage by peeping through the glass folding-doors you may manage to get an imperfect view of the interior. You will see that in the middle of the day there are a great number of well-dressed, sharp-looking gentlemen talking very energetically and apparently

doing a great deal of business. Let me add that there are a variety of distinct markets—the English for stocks and Exchequer bills, the Foreign for stocks, and the Railway and Mining and Miscellaneous share department. The present number of members of the Stock Exchange approaches nearly 800, each paying a subscription of £10 per annum, besides finding securities for between £800 and £900 for three years. Our stockbroker generally spends his money freely. If he is a married man he has a nice villa at Norwood or Clapham and affects a stylish appearance."

All such descriptions were not so complimentary, and it is particularly disconcerting to find our brand-new Stock Exchange described in a sense as worse than all the hells put together. In the very year it was opened was published, by Messrs. Piper Stephenson & Spence, a twenty-page work entitled *Exposure of the Stock Exchange and Bubble Companies*. It was dedicated to the victims of time bargains and the public generally, and it directed the attention of the Legislature "to gambling more ruinous, to demoralisation more extensive, than all the hells ever could produce, as now carried on by the medium of time bargains on the Stock Exchange."

But if such writers as Messrs. Piper Stephenson & Spence did not spare the feelings of the members of the Stock Exchange in their publications, neither did the members in their own publications spare the feelings of each

other. The *Stock Exchange Almanack* for 1856 was dedicated with or without permission to the Committee. Its title-page bore the inscription "Dulce et decorum est, in causam risus, mori," and the authors stated that they reserved to themselves the right of translation, referring to the witty allusions and innuendoes which the work contained. It placed an event against many days of the year written in rhyme, with a list of remarkable occurrences against each month. The united efforts of three of the wittiest members were combined to produce its brilliance. Although, because of the libels, it was with extreme difficulty that a printer for the work could be obtained, when it finally appeared from the press of Alfred Hobday, in Bow Lane, at the price of six-pence, it was received with all the good humour in which it had been written. In the case of only one individual did real trouble arise, although its appearance was the signal for many responding sallies in both prose and verse.

More important subjects than the *Stock Exchange Almanack*, however, engaged the attention of the House at the time. On Lady Day 1854, war, which lasted until 1856, was declared with Russia, adding more, of course, to the National Debt. During the three years the Three per Cent Consols fluctuated between 95 and 85. Then in 1857 the Indian Mutiny broke out, and simultaneously there occurred a financial crisis in America, the

railroads being embarrassed by the disproportionate magnitude of their debenture debts. In this country the disgraceful failure of the Western Bank of Scotland was emblematic of the commercial and financial crisis which prevailed. On 9th November of this disastrous year the Bank rate reached double figures, ten per cent, and on the 12th the Bank Act was for the second time since 1844, when it was passed, more honoured in the breach than in the observance. A short session of Parliament was held to sanction its suspension, and to authorise the Institution to exceed its legal limit of notes. The effects of these calamitous events lasted for some years on the Stock Exchange, and at one time during the panic more than seventy members failed. The Committee, it appears, granted time to all members who could pay 10s. in the pound, declaring no defaulters after the first three or four days. Many of the defaulters returned, and some of the best businesses in the House to-day were developed from their readmission.

In November 1858 occurred the notorious case of swindling by an outside broker, William Lemon Oliver, in connection with which a letter was addressed to the Lord Mayor expressing much annoyance that people called themselves stockbrokers who were not members of the Stock Exchange. A *Times* leader took the case as a text to recommend that dealings should be transacted through the Stock Exchange. "The commission," it said, "charged

by the true broker is inconsiderable in itself and trifling indeed when set against the security derived from his position and responsibilities." Dwelling on the discipline which prevailed in the House, it pointed out that "the final decision of the Committee in the case of every defaulter is posted up in the Stock Exchange for thirty days. An adverse decision of the Committee is far more dreadful to a member of the Stock Exchange than any sentence of a court of law if that sentence should not entail as a necessary consequence the action of the Committee as well." The distinction between the members of the Stock Exchange and the outside broker is just as wide, if not wider, to-day.

A long-contested dispute arose between the Russian Government and the Stock Exchange Committee over the Russian loan of 1859. It was a Three per Cent Loan, and at the time of its issue a certain amount of sinking fund was stipulated. The issue proved a perfect fiasco, only a very small proportion being subscribed, whereupon the Russian Government applied the sinking fund to the unissued portion. To this the Stock Exchange Committee took exception, and the question became acute when in 1866 it refused quotation to a new Russian Loan then issued. The refusal was maintained with persistence until the Government finally saw its way to accept the interpretation of the Committee. Great Britain had beaten Russia in the battlefield a few

years before; now the Stock Exchange had beaten it in the field of finance.

At the end of the fifties two important points were scored for the House, one in connection with Sir John Barnard's Act, and the other in connection with the yoke of the City of London which the stockbrokers still bore. Early in 1858 a petition from the Stock Exchange was presented by Sir George Grey to the House of Commons, praying for the abolition of the City jurisdiction. It was supported by Mr. T. Baring, who was subsequently invited by the Stock Exchange to stand for the representation of the City in Parliament. There was a Bill and a Royal Commission, which subsequently recommended that "as the admission of brokers by the Court of Aldermen and the inspection exercised by that Court appear to us not to be productive of any benefit, we recommend that the statutory enactments be repealed." Shortly afterwards the Secretary to the Treasury, in reply to Alderman Salomons, announced that Sir John Barnard's Act, being obsolete, would be repealed as affecting the interests of the Stock Exchange, a respectable body of men; and when the time came the repeal of this Act against stockbrokers would have been carried in the House of Commons amidst practical silence but for the opposition of one orator. Of course there was some opposition by outsiders to both decisions. A work, for instance, was published by Houlston & Wright,

of Paternoster Row, entitled *The Stock Exchange: Strictures on the Evidence in the Report of the Royal Commission of Inquiry into the Corporation of the City of London on the Regulation of Brokers and Stockbrokers and the Proposed Repeal of Sir John Barnard's Act*. Besides the strictures against the evidence for the Stock Exchange before the Commission referred to in this title, the work, which was written in a masterly fashion, contained a most bitter diatribe against the Stock Exchange and its constitution, arguing for the establishment of an open market. There was much acrimony in the work, although it cleverly assumed a tone of judicial moderation, and there was much exaggeration. It is interesting to note that it described the almost new building of the Stock Exchange as "unfit for a public market, having neither light nor the means of access." The Stock Exchange was not fully freed from the City's yoke until a quarter of a century later, and the subject shall be more fully dealt with when that time comes forward for review. But Sir John Barnard's Act, which was dealt with in an early chapter, futile from the first and long absolutely obsolete, was now abolished for ever.

CHAPTER XIII

AT THE TIME OF THE OVEREND GURNEY CRASH

Attempt to fix uniform brokers' commissions in 1860—The new Companies Acts and their effect—Dealings before allotment abolished and restored—An equal division of the Committee—Effect of the assassination of President Lincoln—An M.P. and the Committee—The conduct of business in the sixties—The Lord Mayor's yoke and Mr. Hartridge—Fifty pounds reward for information as to unlicensed brokers—The crisis of 1866—Bank rate ten per cent—Black Friday—Leeman's Act—The Committee and the Baring loan—Railway companies in difficulties.

A MOVEMENT came to a head on the Stock Exchange in March 1860, for prescribing and fixing a uniform scale of brokers' commissions. People had been writing to the Press complaining of brokers' charges. One correspondent declared from his own experience that it was the practice of many brokers to charge 2s. 6d. a share on all shares of the value of five pounds and upwards, so that when he bought 200 shares for £1000 he had to pay £25 commission. Complaint was also made that although the shares of the railway companies had generally been converted into stock, the brokers continued to charge their commission

at so much per share. Some correspondents declared that they would buy or sell nothing on the Stock Exchange until some scale of brokers' charges was published by authority. In the midst of this agitation for the reform of brokers' commissions, which raged inside as well as outside the walls of the Stock Exchange, a meeting of members was called and it was well attended. Mr. Moxon was in the chair, and Mr. Hartridge acted as secretary. A resolution was carried to the effect that a committee of members should be formed for the purpose of ascertaining the practicability of a thorough revision and equitable adjustment of the scale of brokers' commissions, and also for the purpose of finding the best mode of enforcing such a scale. Many even of those members who attended the meeting pointed out the impracticability of any such attempt, but a committee of a dozen members was appointed. In due course they reported, and a further meeting of members was held, at which a minimum scale was actually sanctioned. It provided for a commission of one-eighth per cent on English and foreign stocks and bonds, of one-quarter per cent on Indian, Colonial, American, and Bank stocks, and of one shilling on Exchequer Bills and Indian bonds. On shares and stocks other than these, not exceeding £2:10s., a commission of 6d. was to be chargeable; exceeding £2:10s. but not £7:10s., the commission was to be 1s.; from £7:10s. to £10, 1s. 3d.; from £10 to £15, 1s. 6d.; from £15 to £20, 2s.;

from £20 to £25, 2s. 6d.; and for shares and stocks exceeding £25 the commission was to be one-half per cent. The meeting at which this scale was sanctioned ordered that it should be communicated to the Stock Exchange Committee, with the view of procuring either the authority of the Committee to enforce its adoption or else its incorporation into the general rules of the Stock Exchange. There or thereabouts the matter seems to have ended. But the question has frequently burst forth afresh. Many brokers argue that rates of commission should be fixed, as they are in the Provincial Stock Exchanges, to prevent their being cut down by competition. Clients of course argue that rates should be fixed at a lower level than at present maintains, especially as brokers give favoured clients preferential treatment. A broker, of course, frequently has to divide what commission he receives with solicitors, bankers, and others who introduce the business to him, and with Stock Exchange runners—a runner being one who has a small connection of clients from whom he solicits orders which he places with a member of the Stock Exchange for execution.

The new Companies Acts of the early sixties were soon attracting the attention of the Stock Exchange to the exclusion of all other subjects. In this connection a broker of the day wrote: "The plan of allotment is also of late years quite different to the old plan of staggering, for now the applicant must deposit with the new

company's bankers a deposit of one or two pounds per share; and to secure this condition being complied with the promoters of new companies have not only to provide a grand list of directors, and concoct a prospectus of great promise, but have, moreover, to establish an artificial premium for the shares in the market. And during the year 1864 such exceedingly questionable means were adopted to this end that the Committee of the Stock Exchange determined to discountenance all dealings in new undertakings until after the actual allotment had taken place." The new Companies Act of 1900 which came into operation with the new century had no such important effect on the Stock Exchange as had the Acts of 1860 and 1862, which created limited liability companies; but it nevertheless necessitated some alteration in the Stock Exchange Rules to bring them into accord with the new law.

This question of dealing in shares of companies before their allotment, to which reference has just been made, has formed an oft-recurring theme of discussion in the history of the Stock Exchange. In 1864 the Committee, to use their own words, were so strongly impressed by the objectionable devices resorted to by directors and others for floating joint-stock companies that they refused to recognise bargains in shares made before allotment. Early in that year occurred the vexed case of the corner in the shares of the Australian and Eastern Navigation Company, Limited, which

case it was that practically led the Stock Exchange Committee to take up this attitude. As a result of a protracted investigation, at which the directors of the company were present, the Committee found that although the public was led to believe by the prospectus that certain shares would be available, a number were reserved ; that, moreover, a combination of directors and their friends got control of nearly all the rest. This naturally led to a great rise in the price of the shares, and they subsequently reached £7 or £8 premium, those who had sold being tightly cornered. The sellers were, however, released by the Committee, which refused to grant a settlement, and the company was withdrawn from existence. The complaint of the directors was bitter. They declared that their only reason for buying up the shares was to counteract the effect of sales made maliciously by their opponents and rivals. They even declared that some of the members of the Committee were personally interested pecuniarily, inasmuch as they had sold the shares. However, the decision stood, the company ceased to exist, and within a couple of months afterwards the Committee enacted the regulation which outlawed dealings before allotment. To obtain this decision, however, required a memorial which was signed by a very large number of members and presented on 29th March 1864, praying that henceforth dealings in shares before allotment should not be recognised. Up to that time the

matter had been covered by Rule 120, which was to the effect that the Committee would appoint a settling day for transactions in shares of a new company if no allegation of fraud or misrepresentation were substantiated, and provided sufficient scrip or shares were ready for delivery. Thus the Committee had hitherto acknowledged, if indeed it had not encouraged, dealings before allotment; but now an addition was made to the rule, providing that the settlement to which it referred should be special and should not apply to bargains made previously to the complete delivery of the letters of allotment. No differences, the addition to the rule provided, arising out of such bargains should under any circumstances be allowed as claims against a defaulter's estate, nor would any buying-in or selling-out for the settlement of such bargains be sanctioned or permitted.

But the taboo of dealings before allotment was to last barely a twelvemonth. The restriction broke down the very next year, in 1865, under the pressure and persistent determination of the public to enter into such transactions. Almost the very same members who in 1864 had advocated the rule as to the non-recognition of dealings before allotment sent a requisition to the Committee in 1865 for its rescission. Not only had they complied with the rule, they had supported its enforcement in every way. But they found that the public was so determined to deal before allotment that people threatened to take away all their business from

the brokers who would not participate in such dealings. As a matter of fact a large amount of business did go at the time to outside brokers.

One glaring example of the necessity of repealing the regulation was quoted to the Committee. It was a case in which the regulation merely aided the trickster in his dishonesty. The vendor to a new concern, the Humber Ironworks Company, bought its shares heavily before allotment, through several brokers, at ever-advancing premiums. Attracted by the advancing price, subscribers came in and the company was successfully floated. Upon a special settlement being applied for, however, the vendor telegraphed to say that he had suddenly discovered that his purchases were not recognised by the Stock Exchange Committee, and that he therefore repudiated them. He had gained all the advantages of dealings before allotment at a premium, in the way of attracting subscribers to his company, and then refused to pay for the shares he had bought. The brokers who had been tricked appealed to the Committee to postpone the special settlement, that they might have opportunity to bring pressure to bear on their dishonest principal, stating at the same time that they were, as honourable men, prepared to fulfil the transactions into which they had entered on his behalf, even at their own loss. The stern reply of the Committee was that it refused to suspend the settlement,

and that it presumed that whatever the contracts of the brokers might be they would certainly fulfil them. The brokers thus had to pay for the shares, and could not get the money from the vendor client for whom they had bought them.

But the incident was the death-knell of the regulation discouraging dealings before allotment. On 2nd February 1865 the Committee had before it the requisition to revoke the rule on the ground that it was ineffective, that it encouraged repudiation. The discussion was long and serious, at times becoming quite heated. That there were good grounds for the requisition could not be denied, but then less than a year before the Committee, after due deliberation, had declared unequivocally against dealings before allotment. Was it to revoke its decision before it reached the age of a twelvemonth? Eventually the question was put to the meeting. It was moved: "That in the opinion of the Committee it is not desirable to make any alteration in the existing law relating to dealings in shares before allotment." The voting on this resolution was equally divided, ten votes being recorded for it and ten against it. The chairman gave his casting vote in its favour, and so it was carried. But the continuance of the rule was for little more than another couple of months. More pressure was brought to bear upon the Committee, more evidence as to the impracticability of the rule; and on the 19th April 1865 a resolution was

carried, "That so much of Rule 120 as relates to dealings in shares before allotment be repealed." There were twenty-six members of the Committee present at the meeting at which this rescission of the rule was discussed. Five of them refrained from voting, but it was carried by the very substantial majority of seventeen votes to four. The Committee had been converted into recognising the impossibility of stopping dealings before allotment, however desirable it might consider such a step to be.

The year 1864 was darkened by numerous commercial failures, but there was never a panic on the Stock Exchange. A seven per cent Bank rate was, however, maintained for four months by the wise caution of the Bank of England and other great moneyed establishments, and this restricted business in the House, and at times there was excitement. Great excitement also raged in the following year, when on 26th April the news was received from across the Atlantic of the assassination of President Lincoln. The morning the intelligence arrived it spread like wildfire, and "in an incredibly short time our offices were crowded with excited, and in some cases well-nigh frantic, men who were large bulls of American securities." The quotation is from a poor little work by "A Former Member," published at a shilling in 1886. It stated that "by special arrangement with the Publishers the entire proceeds of this edition go," not to the

Benevolent Fund, or, as it was formerly called, the Decayed Members' Fund, or to any other charity, but "to the Author."

A flagrant case of deception upon the Stock Exchange Committee came to light in 1865 in the case of the Peruvian Railways Company, one of a notorious group which issued from the old National Bank. They were all directed by some half-dozen members of Parliament, some being on the board of one company and some on another. Upon the application to the Stock Exchange Committee for a settlement by the Peruvian Railways Company the Committee made some demur; there was scarcely a member who was inclined to grant the privilege. But the status of the directors, and the assurances that they made, upon their honour, that there had never been a more fair allotment of shares, bore weight. After the representatives of the Company had withdrawn from the Committee Room there was quite an affecting little scene. One of them, a member of Parliament, came back and begged to make a further remark to the Chairman of the Committee. "Mr. Chairman," he solemnly exclaimed, "I have appeared before you up to this time as a member of the board of the Peruvian Company. I now wish to make a remark in my own personality as a member of Parliament. I ought at this moment to be with my constituents, but I telegraphed to them that I could not come, for I want to assure you that no more honest undertaking

was ever set on foot than the Peruvian Company." The incident had its effect. "After this," exclaimed the Chairman of the Committee, "it is impossible to say that these gentlemen tell an untruth." The settlement was accordingly granted. When the day arrived those who had sold the shares found that there were none to deliver, and it ultimately transpired that the directors, while protesting their honesty, had bought more shares in the market than they had allotted. The brokers and their principals were in a fair way to being ruined; but they were saved. After further investigation the Committee expressed its regret that the special settlement had been granted in ignorance of the real facts. It censured several members for having been parties to a proposed compromise. Having been granted, the settlement could not be revoked, but in order to render it unnecessary for people who had sold the shares to deliver them, the Committee resolved "that the suspension of the buying-in of shares in the Peruvian Railways Company be continued until further notice." There has been no further notice up till now, although we have got into another century.

Some instructions written by a member of the Stock Exchange in the middle of the sixties as to the conduct of business in the Funds on the Stock Exchange then are interesting. "In cases of either Sale or Purchase," he says, "it is necessary that the Broker

should receive his orders as soon after 11 o'clock in the morning as possible, as the Bank will not receive instructions for a Transfer after 1 o'clock, except upon payment of a fee of 2s. 6d. Tuesdays, Wednesdays, Thursdays, and Fridays are the Public Transfer days; Mondays and Saturdays are private days; but Transfers can be effected upon payment of a fee of 2s. 6d. All Transfers must be executed by the Seller before half-past 2 o'clock, except upon Saturdays, when 1 o'clock is the latest hour of Transfer, as the Transfer Offices and the Stock Exchange close at 2 o'clock on the latter day."

Besides giving these minute instructions as to business, the writer had some complaint to make as to that yoke of the City upon the brokers. "The sworn broker, before obtaining his certificate, must not only obtain the freedom of the City, and become a member of one or other of its companies, but must obtain likewise a testimonial signed by six respectable householders, recommending him as a fit and proper person to exercise his calling, as well as enter into a bond signed by himself for £1000, and find two sureties for £250 each to ensure his good conduct. The expense thus far incurred amounts, even with the strictest economy, to about £30, in addition to which he is subject to an annual charge of five pounds—termed the 'Broker's Rent,' as absurd and monstrous an imposition in the opinion of many as any inflicted by the effete Corporation

of our City; and worse than all, they actually compel the unhappy Broker to enter into a bond for £50, supported by the guarantee of a friend, to secure the payment of this yearly charge! It is believed, also, that in case of need the City authorities can insist on examining a sworn broker's books, and in case of fraud can inflict heavy penalties, even beyond the forfeiture of the bonds entered into."

Many brokers outside the House, and apparently some inside the House, were not sworn brokers; they preferred not to be mulcted by the Corporation. They had not the fear of the Lord Mayor and his officials before their eyes. They carried on their business with impunity, although they were not even citizens of London, much less sworn in to brokership. Again the whole question broke out seriously. In the latter part of 1864 a committee of members of the Stock Exchange was appointed to act in the matter. An important member of the committee was Mr. William Hartridge, whose services were the more valuable because he was not only a member of the House but also of the City Corporation. Unfortunately, however, the policy of the committee and of Mr. Hartridge soon became divergent. It was the desire of the committee to throw off altogether from the shoulders of the brokers the yoke of the City of London. It was the desire of Mr. Hartridge to retain the control of the City, but to enforce the application of that control to all

brokers alike. His object was to reform the system under which the control had become loose. The Court of Aldermen was failing in its duty to adopt coercive measures against persons who, while acting as brokers, set its authority defiantly at naught ; it was lax in its efforts to frame regulations and rules which should make its control a useful reality. The agitation of Mr. Hartridge had its effect, and early in 1865 a reward of fifty pounds was offered by public advertisement for information leading to the conviction of any broker acting as such without the legal licence of the Court of Aldermen. But this was not exactly what the committee of members of the Stock Exchange wanted. It had no objection to seeing the law, while it remained, equitably enforced, but its real desire was that the law should be abolished, that the stockbroker should be free. Thus it came that Mr. Hartridge resigned his membership of the committee, and the matter attracted considerable public attention. The agitation seems to have had some effect, for within a couple of years we find the Court of Aldermen giving instructions to enforce the bonds of £1500 against a stockbroker who was alleged to have been guilty of defrauding a client of £350 which had been paid for investment in Consols. And three years after that, in 1870, the Brokers' Relief Act was passed, abolishing the bonds and removing the greater part of the yoke, but retaining the broker's rent. He was not finally freed until 1886, and

when that time is reached the whole history of the broker's licence shall be reviewed.

But all interest was soon swallowed up in the crisis of 1866 and the failure of Overend Gurney & Co., the chief Stock Exchange event of the sixties; indeed one of the chief events in the financial history of our country. The heavy speculation which took place in bank shares from 1864 to 1866 led to a great rise in their price. There were many combinations to put them up, and some of these were aided with money by the bank directors themselves, who thought thus to raise the credit of the institutions in which they were interested. The high prices reached led to sales on the part of investors; and speculators, grasping the opportunity of the reaction, sold heavily. The public observing the fall became stricken with panic, a run occurred upon the banks, deposits were heavily withdrawn, some of the banks had to stop payment, and down with a crash came Overend Gurney & Co., with its capital of five millions sterling in fifty-pound shares, of which a million and a half was paid up. The terrible announcement was made at half-past three o'clock in the afternoon of 10th May 1866. The shares at one time had stood at 10 premium, but on the morning of that day they were at 3 discount. Immediately after the announcement they fell to $4\frac{1}{2}$ discount, and at the close of the day's panic-stricken business they stood at 10 discount.

Everything was sold on Black Friday. The Three per Cent Consols, at 84, had not been so low since the time of the Railway Crisis twenty years before, and they were never to be so low again. The Bank of England raised its rate from eight to nine per cent. On 12th May it was raised to ten per cent, a rate declared on only one other occasion, in 1857. Except in those two instances the Bank rate has never touched double figures. There were several more failures, led by that of the English Joint Stock Bank. Thirteen important establishments went, with a capital of six or seven millions sterling between them. The interference of the Government was hourly expected, and an announcement made in the Stock Exchange that the Bank Act had been suspended was received with cheers and a sharp recovery in prices. But the news was false, or rather premature, for the Bank Act was suspended subsequently, and within less than a week the Bank made advances of twelve-and-a-quarter millions sterling.

There is no need to labour the distress. At the end of the year, when some degree of calmness had been restored, this is how a reviewer of the *Times* dispassionately described the disastrous 1866: "The panic of 1866 recurred after the unusually short interval of eight years and a half, and there has since been an unprecedented absence of elasticity in the revival of credit. During the early part of the year a high rate of interest indicated

unusual pressure, but it was commonly asserted that trade was healthy, and the failure of one or two country banks was attributed to local causes. In April the greater part of the ordinary stock of the London Chatham and Dover Railway was advertised for sale at an apparently ruinous discount, and it was known that several railway contractors were unable to obtain a continuance of the advances on which their solvency depended. The first week of May was marked by increased disquiet and anxiety, and on the 10th of the month the stoppage of the great discount establishment of Overend & Gurney produced universal consternation. The business had been transferred only a year before by the partners of a well-known firm to a limited joint-stock company, and shareholders and customers had relied with an equal confidence on the solvency and prosperity of the undertaking. At the time of the suspension the engagements of the company amounted to £19,000,000, and traders and speculators depended on its resources for a proportionate supply of accommodation. No single bankruptcy has ever caused so great a shock to credit. The following day produced the greatest agitation which has ever been known in the City, and the Government was compelled, as in 1847 and 1857, to authorise the Bank of England to issue notes beyond the legal limit. It was rumoured that the strongest joint-stock banks were almost drained of their ready money, nor can it be doubted

that a slight increase of distrust on the part of the depositors might have produced mischievous results. Two or three banks, including the Agra and Masterman's Limited Company, failed within the week, and several of the new Credit Companies, framed on the French model, were summarily crushed. The rate of ten per cent discount imposed on the Bank of England by Government as a condition of the additional power of issue lasted from 11th May to 17th August, and although the rate afterwards declined rapidly from eight per cent to six, to five, and to four per cent, the price of the Funds and of shares in railway and joint-stock companies has scarcely risen since. For some months after the panic English credit fell into entire disrepute on the Continent, and a circular from the Foreign Office, containing an accurate explanation of the distinction between scarcity of money and insolvency, appeared only to aggravate the prevailing suspicion. At home one important class of securities was additionally discredited by the exposure of scandalous irregularities in the financial conduct of the London Chatham and Dover and the North British Railways. The most prosperous and solvent companies suffer from the doubts which have been thrown on the reality of their profits, and more especially on the security of their debentures. . . . The principal cause of the crisis was probably the rapid expansion of trade unsecured by the provision of an adequate pecuniary reserve. . . . The new system of

limited liability had tempted large numbers of small and inexperienced capitalists to invest their money in speculative undertakings."

It was not until the middle of November 1893 that the liquidation of the affairs of Overend Gurney was finally completed, although it had practically been brought to a conclusion in October 1891, when a final return of 1s. 2d. per share, making in all £7:18:2 per share, was made to the shareholders. The creditors had all been paid off with interest by the middle of 1870. The result of the failure was that while the creditors were paid in full the shareholders lost £32:1:10 per share, although they escaped the further liability of £17:18:2 per share. The aggregate loss to the shareholders was over three millions sterling.

The events of 1866 and the two or three preceding years paved the way for the famous Leeman's Act, the object of which was to prevent speculation in the shares of banks, to prevent sales of shares by those who had not got them to sell. Passed in 1867, it declared all contracts for the sale of bank shares to be void unless the numbers by which the shares were distinguished were set forth in the contracts. From the very first, although it was loyally supported by the Stock Exchange Committee, the Act seems to have been utterly disregarded on the Stock Exchange; and although from time to time unprincipled principals have taken advantage of its pro-

visions to repudiate transactions undertaken for them by their brokers, it has very seldom been the subject of any decision in the courts of law. But, on the other hand, speculation in bank shares has never again been rife.

The depression which was born of the Overend crisis long continued. In 1867 the Bank rate of discount was put back as low as two per cent, but this failed to stimulate enterprise, and fresh disclosures of irregularity and unsoundness in the affairs of the railways and other companies discouraged business on the Stock Exchange. In the same year, the Stock Exchange Committee refused to grant a quotation for a Massachusetts loan on the application of the Barings, because it was entirely taken by the firm itself and was not in the hands of the public. The Committee explained that the *Official List* was not for the benefit of individuals but for the benefit of the public. Some months afterwards the Barings were able to show that all the bonds were out of their hands and in the hands of the public, and the quotation was then granted. The embarrassments of the Brighton, of the North British, of the Great Eastern, of the Great Western, and above all of the London Chatham and Dover, and the doubts that arose as to the financial condition of the Caledonian Railway, pressed heavily on the credit of the most prudent and prosperous companies. The failure of the Royal Bank of Liverpool, and the difficulties of the French Crédit

Mobilier, threw discredit on speculative finance companies.

Things were not improved by the trial of the six directors in Overend Gurney & Co., who, after several appearances at the Mansion House, were committed by the Lord Mayor on the charge of conspiracy to defraud on 27th January 1869. Up to that time the cost of the liquidation of the firm had been £70,000. It was stated that the losses of the new company during nine months' trading, irrespective of what had been lost by the old firm, were £1,400,000. During that period they had discounted £56,000,000 worth of bills. The trial did not come on until 13th December, when it lasted nine days in the Court of Queen's Bench, and resulted in a verdict of acquittal. But the facts of the loss and of the disastrous panic remained. It was the financial crisis of the century, and entirely eclipsed of course the minor panic which was to occur just before the sand of the sixties ran out—a purely Stock Exchange panic, caused by rumours of the sudden death of the Emperor Napoleon.

The Overend Gurney matter threw a lurid light on the true inwardness of the limited liability principle, which hitherto there had not been time fully to grasp. It was rudely shown that limited liability on shares of which only a small part was called up might amount practically to unlimited liability. The ruinous litigation which might attend the process of the

winding-up of companies was also disclosed; and it was seen that directors of status, experience, and reputation might become involved, by their hazardous office, in criminal prosecution. The fervour which had been aroused by the new Companies Acts abruptly abated; companies were in ill odour; the Stock Exchange was stagnant.

CHAPTER XIV

END OF THE THIRD QUARTER OF THE CENTURY

Grave effects of the Franco-German war—Stock Exchange *v.* Lloyd's: a football poem—The Stock Exchange telegraph and telephone service—Current accounts with the Post Office—Establishment of the Exchange Telegraph Company and its tape machines—Foreign loan difficulties—James Capel, member and philanthropist—Some long memberships—John Riva, aged 118—Increasing members' sureties in 1872 and 1874—An American crisis—Establishment of the Clearing House—Wholesale suspensions—Dealing with defaulters—The speculator who lost £61,000 in one morning—A One-Man Company—Lord Mayor's banquet to the Stock Exchange—Stock Exchange dividends for twenty-five years.

AT the beginning of the seventies the number of members and clerks of the Stock Exchange, rapidly increasing despite the effects of the Overend Gurney collapse, reached 1471 and 820 respectively, and the Franco-German war was causing the transfer of the headquarters of business in international stocks from the Paris Bourse to Capel Court. But of course the immediate effects of the war were disastrous. The mid-July settlement of 1870 concluded amidst the first shock of the actual declaration of war, although all hope of peace had been

given up days before. There were five failures at the settlement, and they were quickly followed by three more, this time of three brokers who had been acting in the large speculations of Sir Robert Harvey, of the Norwich Crown Bank, which had suspended. Consols touched $89\frac{1}{2}$, the lowest since the panic of 1866, and all securities were the subject of violent fluctuation. Although the traffic returns of the railways were steadily increasing, the value of the principal English railway stocks fell in the third week of July about six to ten per cent, and at times were almost unsaleable. The fall in the markets was quite as marked as it had been at the commencement of our own Crimean war, and, as was pointed out by conservative financial writers, the total depreciation on the Stock Exchange represented a sum sufficient to cover the cost of a general European war of a couple of years' duration. The Bank rate was raised to six per cent, but it was rapidly reduced when the first impression of uneasiness disappeared.

War was not confined to the battlefields of the Continent in this year; there was war between the Stock Exchange and Lloyd's in the Rugby football field. A seven-page poem in seventeen stanzas was published at the end of 1870 for private circulation in the Stock Exchange only, to celebrate the valour of the House at Kennington Oval, although Lloyd's was victorious by two goals to nothing. Amongst the points which seem to have

awakened the muse of the poet were the fact that the Stock Exchange colours were mauve and orange, which contrasted with the neat dark blue of Lloyd's; that the Stock Exchange team was very youthful compared with that of their opponents, and that much damage was done. Thus: "Poor Chinnery, our favourite pug, I fear came off but ill; He has a blister on his foot 'Twould take a pint to fill. His dexter ogle has a mouse, His conk's devoid of bark, The off-side of his kissing-trap Displays an ugly mark."

In 1870, when the transfer of the inland telegraph business to the State was accomplished, the staff of the Post Office connected with the Stock Exchange was 23. Now the total number employed is about 240, including all grades, inspectors, despatching officers, messengers and boys, of whom there are about 100. The transactions between members of the Stock Exchange and the Telegraph Office are so numerous that to settle them in cash or stamps in the usual way would cause much loss of time and inconvenience. Previous to 1885 there had been an informal arrangement between some of the brokers and the Post Office officials whereby the extra fees payable upon telegrams, over and above the impressed stamp borne by the forms, were paid at the end of each day instead of at the time of despatch. But on 1st October 1885, upon the introduction of the sixpenny rate, a new system came into force enabling members to open running

credit accounts for these differences with the Post Office, a charge of 2 per cent commission with a minimum of £2 per annum, paid in advance, being made by the Department as a return for its trouble in keeping the accounts. The new arrangement was eagerly welcomed, and the number of these credit accounts is now between four and five hundred. As an indication of the immense saving of time it may be mentioned that the largest of these accounts amounts to nearly £3000 per annum. At one time members were allowed the privilege of paying for stamps and the like by cheque, but in May 1899 this privilege was withdrawn.

Some idea of how the work of "the House Post Office," the Threadneedle Street branch, open of course to the public, but mainly used by Stock Exchange firms, has expanded is conveyed in the fact that in 1870 the total number of telegrams despatched on the busiest day reached 2884, a number which was sufficient to call forth a special report from the Superintendent; whereas on a recent day the number of telegrams handed in was nearly 30,000. Of course the number of wires has largely increased. In 1870 the Stock Exchange had the special use of four single wires to Manchester, three to Liverpool, a couple to Glasgow, and one each to Edinburgh and Leeds, making a total of eleven in all. Nowadays it uses about sixty such wires to the principal towns, and the number is constantly growing.

One of the most interesting features connected with the Postal Telegraph Office adjoining the Stock Exchange is the system of pneumatic tubes connecting the office not only with St. Martin's-le-Grand but with several of the markets in the House. The couple of trunk tubes which sufficed to carry all the traffic between the Stock Exchange Post and Telegraph Office and St. Martin's-le-Grand at the time of the transfer of the Inland Telegraphs to the State in 1870 have had to be increased to six, and the office adjoining the Foreign Market is now in tube touch with both St. Martin's-le-Grand and the Threadneedle Street Post Office. In 1891 local tube communication, provided and worked by the Stock Exchange itself, between some of the Markets in the House and the Postal Telegraph Office was established, and with these, since increased, the total number of tubes in connection with Stock Exchange business is now thirteen, those outside the House being worked, of course, by the Post Office. There are three Government servants now at work on the actual floor of the House, one each in the Trunk, Yankee, and West Australian Markets, and it is the sole duty of these officials to receive the messages that are showered upon them all day long by members. Each telegram is hastily folded up, enclosed in a little red-covered case with a number of others, and then despatched by pneumatic tube to the Stock Exchange Telegraph Office for distribution. Telegrams for

delivery to members of the House in either of the markets mentioned are received through the inward tubes by the same Government servants and handed to the Stock Exchange waiters.

The growth of the long-distance telephone service of the Stock Exchange has kept pace with the marvellous increase in the telegraphic department, and has necessitated important structural alterations for the convenience of members. Starting with a couple of lines to Paris on 1st April 1891, it was extended by the introduction of the inland trunk telephone system on 1st August 1894, when communication was opened with Brighton. In October of that year one single call was made, but in the following month the telephone was used ten times. To-day, the Stock Exchange is in direct telephonic communication with all the large cities of Great Britain and Ireland, and the average number of calls per day is at least 250. It is impossible to measure exactly the growth of the Continental service, as there are a dozen Post Office subscribers, known as renters, who have private telephones in their own offices, but whose first call every day is received by the Post Office and then communicated to these members of the House. In April 1891, however, there were 462 calls made from London, and 581 from Paris, whereas in a recent month the figures were 1330 and 688 respectively. But of course these figures are exclusive of the messages received and sent by the subscribers, who are the largest users of the instruments.

Telephonic communication from an office on the premises of the Stock Exchange, with their own offices, is provided for members who subscribe to its system by the Exchange Telegraph Company.

Closely cognate with the telegraphic facilities of the Stock Exchange is the subject of the establishment of this Exchange Telegraph Company's price distribution service. Previous to the year 1872, there was no way in which prices could be obtained by the outsider from the Stock Exchange, except by the laborious means of collecting them at the doors of the House itself. But in 1872 a new departure was instituted by the Exchange Telegraph Company, by means of which quotations were sent out broadcast through the instrumentality of its tape machines. The startling novelty of such an idea when it was first mooted struck the Stock Exchange Committee of the day with astonishment, and their first reply to the Company's application for permission to invade the sanctity of the House was an unequivocal negative. But the Exchange Telegraph Company persevered in its proposals. The tape, an American invention, had been used by the New York Stock Exchange for some time, and by pointing out the advantages which its use had conferred upon Wall Street, the Company at length gained its principal point, and a single reporter was allowed admission to the House in 1872 to collect prices and transmit them. Since then the work has increased immensely,

and the Company has many representatives, sometimes dubbed "tape-worms," in the Stock Exchange, gathering quotations and taking them to the transmitter at his keyboard, whence they are telegraphed simultaneously to offices, clubs, and newspapers innumerable.

The peaceful relations usually existing between the Managers and Committee and the Exchange Telegraph have at times been disturbed. One of the sharpest of the disputes occurred soon after the Company and the Managers had come to terms, and for a time the Company had to withdraw its ambassador from Capel Court. Then, in 1893, there burst forth in the Stock Exchange much agitation against outside brokers being permitted the use of tape machines, enabling them to compete with members. The Committee ordered the Exchange Telegraph Company to discontinue its service to the outside brokers; and, of course, the Company had to obey, otherwise it might soon have had no service with which to supply anybody. The outside brokers made a feeble struggle by litigation and agitation, but the tape machines were removed from their offices, and their profession received a shock from which it has never recovered. Their champion, Mr. A. A. H. Cronmire, trading as George Gregory & Co., died in April 1897. He advertised heavily, and his transactions were enormous. As in the case of John Shaw, another noted outside broker, the business ultimately came to dire misfortune.

But we are still at the beginning of the seventies, and at that time the attention of the Stock Exchange Committee was directed to the affairs of two or three foreign loans. It made a strong protest against the terms of the loan which Germany issued in 1871, just after the Franco-German war. The Committee granted a settlement and quotation of the scrip, but when the bonds came out, they bore a stipulation that the principal should be forfeited after thirty years from the period when it fell due, and the coupons after four years from the time they fell due. The Committee considered that such a stipulation was subversive of what was right and proper, and it refused a quotation to the bonds. Upon its being shown, however, that the stipulation was in accordance with Prussian law of thirty years' standing, the Committee reluctantly gave way, but it caused a notice to be posted in the House and forwarded to the Consul-General to the effect that while granting a quotation to the bonds it considered the stipulation objectionable and unprecedented, and that notice of the stipulation ought to have been given in the prospectus of the loan. About this time Spanish loans were reinstated in the *Official List* after having been excluded many years owing to the default of the Government. The exclusion was persisted in by the Stock Exchange Committee until the Spanish Government came to an arrangement acceptable to the creditors. In the case of the Austrian loan of 1870 the

quotation of the converted debt was refused, and the securities of the Austro-Hungarian Empire were struck out of the Stock Exchange *Official List*, owing to objections made by holders of the old stocks. The objections were that the conversion was compulsory, that the sinking fund was suppressed, that internal bonds were substituted for external, and that an income-tax of sixteen per cent was imposed. A protest by the Committee of the Stock Exchange was sent to the Austrian Ambassador in London, and eventually an arrangement acceptable to the bondholders was arrived at, and the stocks were reinstated.

Spanish bonds had previously been excluded from quotation and reinstated, twenty years before, and Mr. James Capel, stockbroker and philanthropist, whose death, so much lamented in the House, occurred at this time, had been the champion of the bondholders on that occasion. But for the serious public inconvenience that it would have occasioned, the members of the Stock Exchange would have probably closed the House on Saturday, 23rd November 1872, the day of his funeral. Very soon after coming to London, as a lad, Mr. James Capel entered the office of his cousin, Mr. John Capel, a member of the Stock Exchange, the firm afterwards becoming Capel, Cureton, & Co. In 1806 Mr. Capel, at the age of seventeen, became a clerk in the office of Messrs. Antrobus & Brown, stockbrokers. Immediately on attaining his majority he was offered a partner-

ship, and actually became a partner in 1813, the firm being subsequently merged into that of which he continued the principal member until his death. Eventually Mr. Capel became Chairman of the Managers of the Stock Exchange, from which position he retired in 1854, soon after the rebuilding of the House had been completed. The presentation of plate which he received on that occasion bore the inscription : "Presented to James Capel, Esq., by 308 members of the Stock Exchange, as a token of their appreciation of his services during the rebuilding thereof in 1854." A couple of years before this he had received a presentation from the Spanish bondholders in acknowledgment of the masterly part he had played in opposing, as Chairman of the Committee, the scheme of repudiation imposed upon them by Spain. It was mainly through his efforts that the Stock Exchange in London and the Paris Bourse were closed against Spanish securities, until the country was eventually brought to her senses in 1852. Mr. Capel served on the Committee of the Stock Exchange Benevolent Fund—then the Decayed Members' Fund—for no shorter a period than forty-four years ; indeed, he was its chairman for nearly a quarter of a century. It was mainly owing to his efforts that the Committee was enabled to double its annuities, raising them from £40, the amount paid until that time, to £80. Mr. Capel supported the Fund both by untiring energy and by generous contribu-

tion. In connection with the annual dinners it was his invariable practice to send a handsome donation to each one of the various stewards. And his philanthropy was as well known outside the House as within it. The members of the Stock Exchange appointed a committee to consider the most suitable manner in which they could show their respect to the memory of their old friend, and it was decided to raise a sum of money with which to add a new wing to the buildings of the London Orphan Asylum at Watford, of which Mr. Capel was for eighteen years treasurer, and for fifty years an earnest and liberal supporter. An obituary notice described him as a man of the strictest honour, of untarnished reputation, exemplary in all his business transactions, shrewd in his perceptions, keenly alive to the fluctuations of the market, clever at bargains for his clients, yet ever ready to act in a spirit of liberality in his dealings with his brother members of the Stock Exchange.

At the time of his death in his eighty-fourth year Mr. James Capel was generally regarded as the Father of the Stock Exchange, of which he had been a member for nearly sixty years. There were others, however, who had really prior claim to the title. Mr. Capel had become a member in 1813, but he had been preceded by Mr. W. H. Hitchcock in 1806, Mr. T. H. Longden in 1810, Mr. Ralph Ricardo in 1811, and Mr. John Williams in 1812, all of whom survived him. At the time of Mr. Capel's

death Mr. Hitchcock was not only the oldest member of the House in point of membership, but in point of age as well, for he was ninety. Mr. Simon was at that time ninety-one, but he had retired from business. It is recorded of one stockbroker, John Riva, who lived throughout the eighteenth century, that he died at the age of 118.

From 1st October 1872, and again in 1874, the sureties required from new members of the Stock Exchange were increased, after having been allowed to stand unaltered for forty-five years. On 24th July 1821, a rule had been imposed requiring them to find two sureties for £250 each for two years. Then, on 21st October 1827, the number of sureties had been changed to three for £300 each for two years in the case of brand-new members, and to two sureties for £250 each in the case of members who had served as clerks for at least four years. Now, in 1872, they were fixed at three sureties for £500 each and two sureties for £350 each, for two years, respectively; and another raising of the level was accomplished only a couple of years later, for from 1st September 1874 new members were required to find three sureties for £750 each, and those who had been clerks two sureties for £500 each. There are some who contend that the surety system is not a sufficient guarantee of a member's status—that it is easy enough to find other members to stand surety for him in a comparatively small amount, and that the requirements of the case

would be better met by the deposit of a substantial sum by the new member himself. A new broker finds less difficulty in obtaining the necessary sureties than a new jobber, because the broker brings business to the jobber, as the solicitor brings business to the barrister. Jobbers frequently stand surety for new brokers—three sureties is the limit—in the hope of subsequently obtaining business in recognition.

There had been a nine per cent Bank rate in the autumn of 1873. The payment of the huge war indemnity was being made to Germany by France; Germany was establishing a gold coinage; and the reaction from a period of excessive speculation had produced serious embarrassment on the bourses of Berlin and Frankfort; and at Vienna the difficulty amounted to a panic. Then a still graver crisis occurred in the United States with the failure of more than one bank which had commanded general confidence. The immediate cause of stoppage was the investment in railway construction of an undue proportion of capital, and the immediate consequence was alarming. For a short time all the banks virtually suspended cash payment. But the whole crisis was short-lived.

It was in 1873 that the Stock Exchange Clearing House was established. As long previously as the year 1851 it had been found that dealings had assumed proportions of such magnitude as to make the passing of tickets and other arrangements in the House on the settling days a matter of hindrance and incon-

venience to members. So Mr. Henry Abbey propounded a scheme for clearing stocks and shares on the same system as bankers cleared cheques. But his idea was nipped in the bud, and no real attempt to grapple with the difficulty was made until 1873. In December of that year a private meeting of members was held to consider a scheme mooted by Mr. Humphrey and Mr. Morgan. Those who were present approved of the general principle of the scheme, and a committee was appointed and instructed to consider the best means of giving effect to the views of the meeting. Thus it was that the famous Humphrey's Clearing House came into being, the spot selected for its operations being the basement of a house in Drapers' Gardens. It received no official recognition by the Stock Exchange Committee, but certain concessions were granted. When it started the number of members was only the mystical seven times seven, but it went on increasing account by account until in 1877 the membership comprised 523 firms, representing about a thousand members of the Stock Exchange. Still the organisation was very imperfect, and was run as a private speculation. In May 1880 sudden destruction unfortunately fell upon the infant Clearing House owing to the failure of one of its members, whose cheques were ignominiously returned. The creditors knew not from whom to seek remedy.

Chaos reigned for weeks, and the Stock Exchange Committee turned to Mr. W. B. Bellars,

the present manager, and a Settlement Department was inaugurated under the control of the Stock Exchange authorities. Only a few securities were put upon its list at the beginning, but by degrees the Clearing House assumed a very different status. The original premises were found altogether too small, and fresh accommodation had to be arranged. The Department now occupies three upper floors, 120 feet long, besides a large space in the basement which is now officially known as the Settling Room. The staff has increased tremendously, and although it has frequently been the subject of much grumbling, only at periods of exceptional strain, notably at one settlement during the Kaffir boom of 1895, has the Department really been unable to cope with its important work. Heavy indeed is the labour connected with the comparison of the clearing lists on the nights of settling days ; it is of course all night work. To trace the stocks and shares that have been bought and sold during the fortnight's account, to find an ultimate buyer and seller, cancelling transactions by cross entry, so that scores of payments which would otherwise be necessary are reduced to one—that is the work of the clearing clerks, who are brought from all quarters. They consist of civil service clerks, clerks from the banks and insurance offices, broken-down members of the Stock Exchange drawing pensions from its Benevolent Fund, and so on. The terms are attractive—a guinea a night, with an extra half-

guinea if the service is extended, in busy times, beyond a certain small hour of the morning, a good supper at ten o'clock, and coffee and biscuits in any quantity all through.

At the end of 1873 the scandal was brought to light in the House by which Mr. John Smith Latham, a heavy speculator, lost a large amount of money. Six members were implicated. Mr. Latham's broker was suspended for three years, an authorised clerk was expelled, two other members were suspended for a year, and upon two others were passed sentences of six months' and three months' suspension respectively. Some restitution to Mr. Latham was also enforced. A proposition was before the Committee to expel the broker, and it was lost by only one vote short of the necessary three-fourths majority.

A couple of years later no fewer than seventeen members of the Stock Exchange were suspended for three weeks by one resolution of the Committee for having violated the rule of the Stock Exchange forbidding members to deal with one who had been a defaulter. The defaulter was Mr. W. Wreford, who had a remarkable speculative career. He was a member of the Stock Exchange for two years, from the middle of 1868 to the middle of 1870. During his membership his differences used to amount to £130,000 or £140,000 at each settlement. His failure was brought about by the Franco-German war panic. For a fortnight he had been a partner with a Mr. Duncan, and

the firm was hammered. They applied for re-admission in the spring of 1871, but this was refused, the Committee presumably considering that for young men the commitments had been too heavy. In 1874, however, Mr. Duncan was readmitted, but Mr. Wreford did not apply. By that time he was doing a large speculative business as an outsider, opening accounts with members to the amount of half a million sterling during the fortnight. In nine months he made £85,000 by speculation in North British stock. But in November 1875, by reason of the rise in Egyptian stock owing to the purchase by the British Government of the Suez Canal shares, he lost £61,000 in one morning. Then it was that the attention of the Committee was called to the fact that these dealings were going on contrary to the rules, and seventeen members with whom Mr. Wreford, although a defaulter, had been dealing were suspended. A sudden stoppage was thus put to his speculation, which had gone on for five years after his default, his accounts were closed at a heavy loss, and the complaint of Mr. William Wreford was bitter.

Meantime, early in 1874, a most remarkable and an unprecedented fraud had been perpetrated upon the Committee of the Stock Exchange and upon several of the members of the House, including one or two firms of the highest standing. It was the case of the Eupion Gas Company. A member of a well-known firm of the highest respectability was

induced to introduce the secretary of the company to Mr. Slaughter, the Secretary of the Share and Loan Department, and after the usual investigation the Committee officially granted the company a settlement and quotation. Almost immediately a brisk business sprang up in the shares, brokers receiving orders to buy and sell. Indeed, the business was so phenomenally brisk for a new and unknown company that suspicion was aroused, and it was ultimately found that the bargains were all bogus. No one, it transpired, held shares except the promoter; the allotments had all been made to nominees of his, application moneys sent to the bank had been immediately withdrawn by him and used over and over again; he held all the shares, he it was who gave orders through his creatures to sell, and he it was who gave orders to buy. When the time came for the delivery of the shares the sellers had disappeared, and the brokers were in a tight corner. The buyers, who were the promoter, seemed to have them at his mercy. The Committee was petitioned either to cancel the bargains or suspend the buying-in. They would not cancel the bargains, lest peradventure there should be one righteous amongst the buyers and sellers; and they deemed it their duty to protect the public rather than their own members. But they did suspend the buying-in, in order to save those who had been tricked. These met one night and unanimously decided to prosecute those concerned in the

fraud. The guilty parties, the promoter and his creatures, awakening to the fact that they were found out, offered to relieve the brokers from all responsibility, and to hand over ten thousand pounds to settle matters. But on public grounds the brokers nobly decided to go on. The delinquents were not apparently convicted of conspiracy to defraud, the Lord Chief Justice holding that for one man to buy and another to sell could not be conspiracy, as their interests were antagonistic. But they were convicted of fraud upon the Committee of the Stock Exchange. The cost of the prosecution was some six thousand pounds. The member who had been innocently instrumental in obtaining the quotation was summoned before the Committee, and a vote of censure for negligence was passed, but was not confirmed.

A very similar scandal occurred in the case of Charles Lafitte & Co. about the same time, and soon afterwards a rule was passed providing that such documents as those upon whose evidence the Committee granted official recognition to these companies must be accompanied by a statutory declaration as to the truth of their representations.

In the last year of the third quarter of the century Lord Mayor Cotton hospitably invited the Managers and Committee of the Stock Exchange to meet at a banquet the directors and managers of some of the banks and insurance companies. The Chairman of the Com-

mittee was given the place of honour by the side of the Lord Mayor, and the prosperity of the Stock Exchange was the toast of the evening. One member burst into all the exuberance of poetry over the matter: "Good luck and great prosperity Alight on Lord Mayor Cotton, And by Lord Mayors to come may we Henceforth be not forgotten." That was the last verse of the poem, whose sale realised eight pounds for the Benevolent Fund. Just previously Messrs. Simpkin, Marshall, & Co. had published, at the price of sixpence, a sixteen-page pamphlet entitled *Songs of the Stock Exchange by a Stock Dove*, but it was a very poor collection. Almost simultaneously the gaiety of the Stock Exchange was enhanced, as it has so often been, by the art and the wit of one of its members, Mr. F. Carruthers Gould, now the great cartoonist. He produced *The A B C of the House*, each letter of the alphabet standing for a prominent member and being embellished, of course, with caricature.

During the third quarter of the century, at the end of which we have now arrived, the prosperity of the Stock Exchange as an institution and as a paying concern had been increasing by leaps and bounds. The number of members was now 1979, and of clerks 1312, and this year—1875—the subscriptions were raised. One of the 1979 was Lord Walter Campbell, brother-in-law of the Princess Louise, who had just become a member. The number

of proprietors was just about five hundred. Their dividends have been traced, in a previous chapter, throughout the first half of the century. In 1851 the dividend on the shares, then £50 paid, was £15, and after the payment of £13 in 1852, £15 was again reached in 1853. But in that year provision had to be begun for the rebuilding of the Stock Exchange, and there was a call of £25 on each share, making them £75 paid. For 1854 there was a distribution of £13, but in 1855 there was no dividend at all; there was instead another call of £25, making the amount paid up on each share £100. Owing to the rebuilding, the Managers were not only calling up capital, but also capitalising profits. There was no further call until 1868, and the dividends meantime were £14 for 1856, £18 for 1857 and 1858, and £14 again for the next three years. In 1862 and 1863 the distribution was £15, and in 1864 the hitherto unprecedented distribution of a round £20 per share was attained. This was repeated in 1867, after £15 had been distributed in each of the two intermediate years. Then set in another period of calls. In 1868 there was no dividend, but a call of £25. In the following year there was a call of £5 and a distribution of £38. In each of the remaining six years to the end of the third quarter of the century there was a call of £25, so that at the end of the year 1875 the amount that had been called up per share was £280. In those six years from

1870 to 1875 inclusive, the dividends were £47:10s., £50, £70, £80, £100, and £105 respectively!

A financial writer, reviewing the year 1875, descanted on the glut of money, but he was not referring to the Stock Exchange dividends. He attributed the glut to the discredit which had been thrown upon a large class of investments. Some of our colonies even were not in good odour. A question arose with New Zealand, and a quotation was refused to a loan issued in March because a certain part of it had been allotted at a favour price to certain parties. The quotation was, however, granted in August on representations that the bonds were in the hands of the public. But the financial writer was referring principally to the discredit of foreign loans. "The impression," he said, "which has been produced by the investigation of the Foreign Loans Committee into the debts of Honduras, Costa Rica, and Paraguay has been revived by the conduct of the Peruvian Government in repudiating a contract for the sale of guano, with the result of suspending payment of dividend on its debt. The Turkish financial catastrophe has still further disturbed the faith of credulous investors in stocks which pay a high rate of interest. English railway stocks have risen in proportion to the distrust which affects less familiar securities. At present ordinary shares in the best lines can only be bought to pay about four per cent." A quarter of a century

later, now, ordinary stock in the best railway companies cannot very easily be bought to yield even four per cent or anything like it. As to the Foreign Loans Committee, that must be dealt with in another chapter.

CHAPTER XV

THE FOREIGN LOANS INQUIRY IN 1875

Constitution of the Select Committee—Some of the witnesses—A scathing report—Dealings before allotment to make a market—Buying up stock with its own proceeds—Complaint that Stock Exchange Committee gives prestige to dishonest loans—A House unappreciative of evils—Committee recommended not to discriminate in granting quotations—Suggested reform in stating amount of loan—Lotteries in a new shape—History of the American market—How Sydney Smith lost and Mr. Peabody gained—Yankees wiped out—The speculations of Mr. Cobden, Mr. W. H. Smith, and Sir Peter Coats—Jay Gould and Jim Fiske—The Erie King—How capital might have been annihilated—A quick deal in Consols—Committee resigns in a body—Baron Grant and the Stock Exchange—A new Deed of Settlement; splitting the shares—A Joint Committee of proprietors and members—Selling Railway dividends—The Stock Exchange Christian Association and Sunday labour.

THE later seventies constituted an era of commissions and inquiries affecting the Stock Exchange. There were the Select Committee on Foreign Loans in 1875, the Select Committee on the working of the Companies Acts in 1877, and the Royal Commission appointed to inquire into the affairs of the Stock Exchange, which reported in 1878. The results

of the inquiry into the Companies Acts of 1862 and 1867 affected the Stock Exchange only indirectly, and were covered by the results of the other two inquiries. The Foreign Loans Committee was appointed "to inquire into the circumstances attending the making of Contracts for Loans with certain Foreign States, and also the causes which have led to the non-payment of the principal moneys and interest due in respect of such Loans." The "certain Foreign States" were mainly Spanish-American countries, such as those which have given continuous trouble throughout the history of the Stock Exchange. They comprised Honduras, Santo Domingo, Costa Rica, and Paraguay. The Chairman of the Committee was Mr. Lowe, and amongst its other members were the Solicitor-General, Mr. Ellice, Mr. Bourke, Mr. Edward Stanhope, Sir Charles Russell, Mr. Stephen Cave, Mr. Puleston, and Sir Henry James. Amongst the witnesses examined, most of them on oath, were Mr. Septimus R. Scott, Mr. Lionel Cohen—one of the Stock Exchange Managers, who furnished valuable aid by collecting opinions as to the treatment of foreign loans from various Continental Bourses—Mr. Samuel Herman de Zoete, Mr. Nathaniel Meyer de Rothschild, M.P., Baron Erlanger, Mr. Albert Grant, Mr. Henry Brinsley Sheridan, Mr. Bernard Cracroft, Mr. Hyde Clarke, and Mr. George Hatfield Gossip.

The report of the Committee was scathing. Although it referred mainly to the malpractices

of the promoters of these Spanish-American loans, a great deal of its space was devoted to advice and recommendations directly affecting the Stock Exchange. According to the report, those who introduced the loans seemed to have been regardless of the financial resources of the borrowing State; such resources, if inquired into, would have been found totally inadequate to meet the liabilities incurred. In no case before the Committee, with one unimportant exception, had the borrowing Government repaid any portion of its indebtedness, except from the proceeds of the loans themselves. The statements in the prospectuses had been exaggerated; the loans raised professedly for public works' development had been diverted mainly to other purposes. In order to induce the public to lend money upon totally insufficient security means had been resorted to which in their nature and object were flagrantly deceptive.

Part of the blame for the state of affairs was attributed in the report to the Committee of the Stock Exchange, because by granting a quotation it gave a certain prestige to a loan which neither the very slight and superficial investigation on which the grant of a quotation was founded nor the nature of the tribunal seemed to warrant. The Committee of Inquiry complained that the Committee of the Stock Exchange practically required nothing more than the production of documents showing the authority of the agent to issue the loan, of the

prospectus, and of a certificate stating the amount subscribed for and allotted to the public. It made no inquiry into the circumstances or conditions of the proposed loan, nor into the truthfulness of the prospectus, nor into the solvency of the borrowing State. In respect of most of the loans quotations were obtained from the Committee of the Stock Exchange on the faith of written statements, made on behalf of the contractors, that the applications for allotment had been unconditionally made. It was, however, known to those on whose behalf such statements were made, that before any allotment, such contracts of purchase had been effected on behalf of the contractors or borrowing Government, that as soon as the allotment took place a large proportion of the stock would return into their hands, and therefore for the purposes of the loan was not allotted.

The vials of the Select Committee's wrath were specially emptied upon dealings before allotment and upon the manipulations on the Stock Exchange of the contractors and underwriters. The price of the loan was raised to a premium, and this premium was maintained at any cost till the period of allotment was over. As the loan was issued at a fixed rate, and was kept at a premium, there was a clear profit to the allottee, and many persons subscribed only with the view of realising this profit. Others less versed in the mysteries of the Stock Exchange subscribed

with a view to holding the loan, being influenced by the fact that it was above its issue price, being tempted by the artificial premium, believing it due to the intrinsic merit of the loan. The promoters of the issue having forwarded a certificate to the Committee of the Stock Exchange that the whole loan had been unconditionally allotted and was in the hands of the public, a quotation on the Stock Exchange was procured, and the operation of floating the loan was thus completed. Then came the reverse process. Those underwriters who had hitherto been purchasers now became sellers. If possible, the premium was maintained, and thereby a profit secured, but owing to the favourable terms on which the issuing of the loan had been contracted for, the stock might be sold at a discount and yet yield a considerable profit. The position was still more favourable for the promoters when, as in some cases, the agents of the Governments had authorised the buying back for their account any portion or even the whole of the loan at the issue price to the public.

The essence of all these nefarious operations, the Select Committee was informed, was profound secrecy. Of course operations, the intention and effect of which were to tempt people to buy scrip by creating an artificial price, had to be carefully concealed from those who might not unreasonably be called the victims. It was stated to the Committee that if a law were passed making the action of pro-

moters and underwriting syndicates public, it would drive all transactions in public loans from the Stock Exchange to foreign countries. The Committee did not hesitate to say that if the terms described were the only terms on which the profits arising from such loans could be retained in England, then those profits were too dearly earned at such a price.

The first remedy which suggested itself to the Select Committee was to leave the task in the hands of the Stock Exchange of remodelling in some respects its rules and constitution. There was no reason to doubt that as between its own members the Stock Exchange administered substantial justice. The power that it wielded extended to expulsion, that is, the taking away from the person expelled his occupation in life. Such a body could hardly be interfered with by Parliament, the Select Committee held, without losing that freedom of self-government which was the very life and soul of the institution.

It was acknowledged that because the Committee which governed the Stock Exchange was annually elected, any attempt to force upon the members rules distasteful to the majority would be resisted by the rejection of the Committee which framed them, and the substitution of a body more in harmony with the majority. Such a body as the Stock Exchange Committee was not, therefore, the Select Committee declared, fit for the exercise of judicial powers. Nor had the Select

Committee observed, in the evidence of the members of the Stock Exchange which had been given before it, any very keen appreciation of the evils of the manner of manipulating loans, or any fertility of resource in devising remedies. The Select Committee feared, therefore, that the remedy, if any, for the evils would not be provided by the members of the Stock Exchange, and neither did it appear that strict rules for their guidance could be laid down by the Legislature. Yet the Committee believed that if some of the suggestions made in its report were fully acted upon by the Committee of the Stock Exchange, considerable protection would be secured to the public.

These suggestions the report then went on to make. It was no use rendering illegal all contracts made before allotment. The Chairman of the Stock Exchange Committee had distinctly stated that even if such a law were framed, the Committee would expel a member who, having dealt in a loan before allotment, refused to fulfil his contract on the ground of its illegality. In all cases where a contract was made illegal for some reason which did not carry with it a moral taint, the Stock Exchange regarded the debt which might arise as a debt of honour, and thus the payment, instead of being prevented, was made more certain. So long as the Stock Exchange had the power of expelling one of its members without appeal or redress, it could be bound by no law which it did not choose to obey. When it lost that

power, its means of self-government would be gone, and its constitution would be at an end. The Select Committee recommended nothing of the sort.

But its report did recommend that the Stock Exchange Committee should lay aside all pretence of examining into the status of a loan. While it was easy to obtain a settling day for a loan from the Committee, it was more difficult to obtain an official quotation. The result was, that the granting of an official quotation gave to the loan a certain prestige to which it might not really be entitled. The Select Committee was of opinion that whatever was sufficient to obtain a settling day should also give an official quotation, and that a settling day should be granted to all proposals not on the face of them illegal, in which there was sufficient dealing to make it convenient to the public that such dealing should be made known. It seemed a mistake to the Select Committee to treat the publicity of the prices that rule as the privilege of the issuer; that publicity was equally desirable for the sake of the community, as it constituted the best security against many kinds of fraud; but the Select Committee doubted if any tribunal, however carefully constituted, ought to be entrusted with the duty of deciding for the public whether an investment was sound or not. The business of the Stock Exchange, the Select Committee pointed out, was to buy and sell, not good securities only, but all securities that were

dealt in, and it was hardly fair and hardly wise to entrust to it the power of suppressing those questionable proposals by which it alone, of all the public, was certain to benefit.

Another suggestion was made by the Select Committee. According to the existing practice, the Committee of the Stock Exchange quoted the whole amount of a loan, although in fact part only of it might have been allotted to the public, and a very small percentage of the actual amount might have been subscribed. The Chairman of the Stock Exchange Committee freely admitted in his evidence that it was desirable for the public to know whether a sufficient amount of a loan had been subscribed to carry out the railway or other work for which the loan was raised, and upon which in many cases it was secured; and although he anticipated great difficulty in ascertaining and publishing from time to time the amount actually allotted, yet he admitted that it might be done. The Select Committee was accordingly of opinion that returns should be from time to time published in the official Stock Exchange List, not only of the nominal amount of the loan which already appeared in that list, but of the actual amount held by the public on which interest was then being paid. Such returns, the Select Committee recommended, the contractors should be required to furnish at certain intervals, and any false statement should be made penal.

In cases where the agents of the borrowing

Governments had authorised the contractors to buy back a large portion of the loan with the money received from the allottees, it was manifest that the fact, if known, would materially affect the judgment of the public in respect to the value of the loan. The Committee, therefore, recommended that such transactions should be disclosed. It said it was well aware of the difficulty of obtaining the necessary information, but it recommended that the Stock Exchange Committee, before granting a settling day, should require the production of a statutory declaration by the representatives of the foreign Government, and by the issuing contractor or agent, stating either that no part of the proceeds of the loan had been or was to be devoted to buying back any of the stock, or that the borrowing Government had reserved to itself, or its agent, the right to repurchase part of the loan, the amount of which part should be stated.

As a matter of fact, although the report was not altogether ineffective, although it led to some little reform, and although it brought foreign loans, especially those of the Spanish-American States, into much disrepute at the time, the public did not seem to be permanently enlightened or even impressed. The publication of the report had no apparent effect in restricting investment in foreign securities even of the worst description. The Stock Exchange List continued to record a growth in the number and amount of foreign loans, good, bad, and indifferent.

But whatever odium attached to South and Central American securities after the issue of the report of the Foreign Loans Committee in 1875, those hailing from the northern part of the continent were establishing themselves in glory. It was in the seventies that Yankee Rails became the favourite medium of speculation in the Stock Exchange, and they swayed the sceptre for many a long year. The American market was first definitely established in the Stock Exchange in the year 1838. In March of that year there appeared in the *Official List* an issue of £210,000 five per cent bonds and an issue of £225,000 six per cent bonds of the Camden and Amboy Railroad, the pioneer of American Rails on the London Stock Exchange. Before that time, however, certain American securities other than railroads were well known on the Stock Exchange. In the *Official List* there was a department devoted to fifty or sixty stocks headed "United States Public Securities." They were about equally divided between State bonds, aggregating in value over fifty million dollars, and bank shares, mostly the shares of State banks. It does not appear, however, that these securities were ever the subject of very free dealing on the Stock Exchange. They were mostly in the hands of independent finance houses, and a firm of outside brokers—Bell & Son—seems to have supplied most of the stock required by the jobbers. Nevertheless, the securities were quoted in the *Official List*, whence they did

not disappear until the outburst of the American panic in 1837, at which time, or soon after, most of them disappeared from off the face of the earth. The writings of Sydney Smith show us that he was severely hit in that panic, and especially by the default of Pennsylvania ; but against this we have to put the fact that Mr. Peabody, by coolly buying when things were at their worst, laid the foundation of his fortune.

It was the turn of American Railroad securities to take the place of the State bonds and the bank shares. About this time August Belmont, the founder of the house of that name, had been sent to New York by the Rothschilds ; Barings were already at work as intermediaries between American borrowers and English investors ; soon afterwards the house of Speyer was established, and the house of McCalmont connected itself with Reading issues. Following the pioneer Camden and Amboy, there were introduced to the Stock Exchange in quick succession such securities as Lehigh, Richmond, New Jersey, Harrisburg, and Lancaster, and others which have since disappeared by absorption ; besides Reading, which made its first appearance in August 1838. By 1840 there was quite a recognised American Railroad market in the House, consisting of some half-dozen jobbers, who took up their stand adjoining the English Railway jobbers. One young jobber had the enterprise to cross the Atlantic to examine for himself the infant

industry—there were only 1500 miles of railway in the whole of the United States—and he spent more than a year there, bringing back with him a selection of securities which he successfully placed.

But the American market had by no means been permanently established. It sank into complete oblivion during the English Railway boom and panic of the forties; it was absolutely wiped out, and no American security of any kind was ever mentioned. Apart from the counter-attraction of the Home Railway speculation, there was the fact that fear and suspicion naturally lurked in the methods of American finance. The disasters attending the State repudiation of 1837 were kept before the public eye by repeated shocks during the next twenty years, which culminated in 1857 in a commercial crisis which may be said to have shaken the fabric of business all over the world. The United States Six per Cent War Bonds of 1862-63 met with a very cold reception in London. But although the Stock Exchange was slow to adopt American securities they were beginning to filter over to this side through another channel. Our enterprising contractors—our great ironmasters—were not unwilling to accept payment for their rails in bonds, and in this way the immigration of such securities as Erie and Illinois Central was assisted. It was in Illinois Central that Mr. Cobden lost a small fortune. But on the other hand we are informed by Mr. W. R. Lawson, in

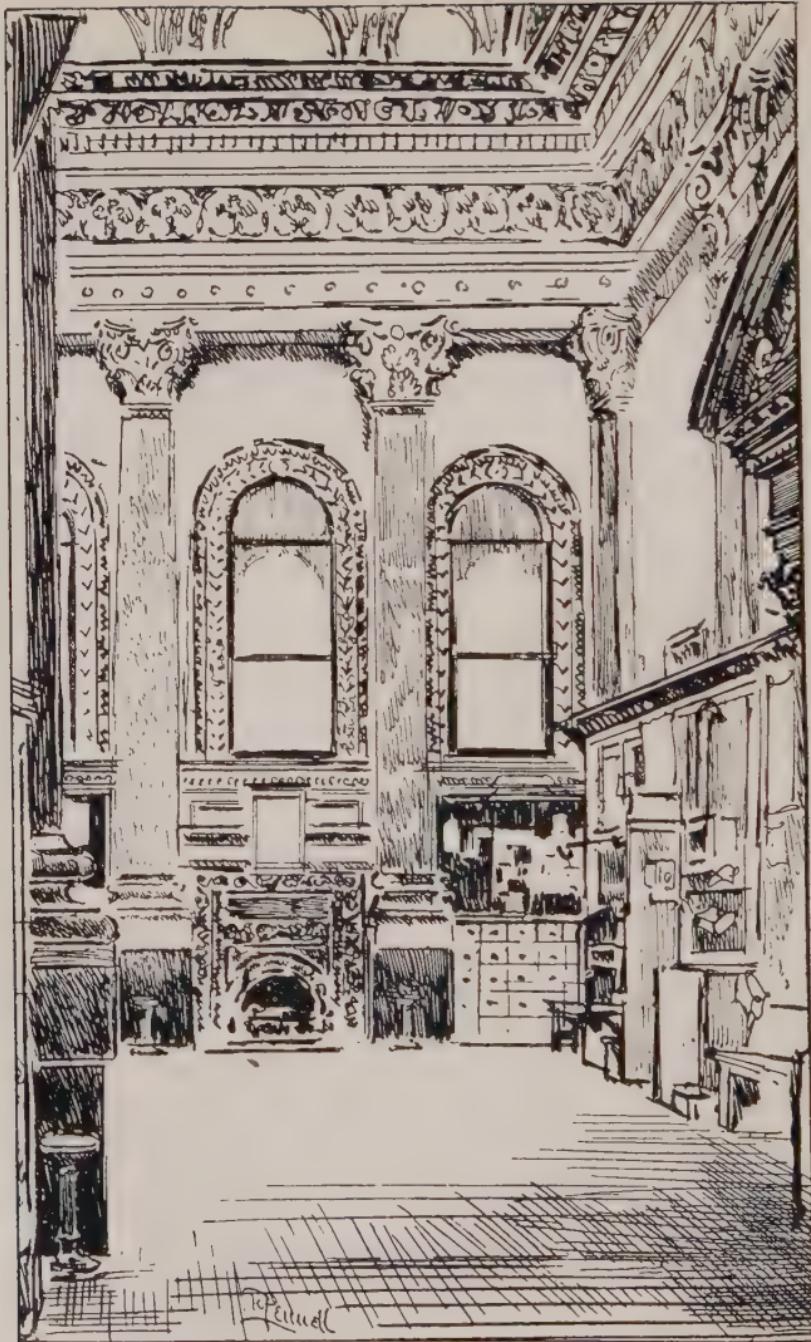
an admirable article on English capital in America contributed to a special issue of the *Financial News*, from which many of the facts in this history of the American market are taken, that such men as Mr. W. H. Smith and Sir Peter Coats, of Paisley, derived much financial benefit from their courageous purchase of American Railroad securities during the early years of the Civil War. At the end of the war there was a revival of interest in the securities, and during the seventies, despite the Northern Pacific crash in 1873, the American department was the most active of the Stock Exchange; indeed, the boom continued until 1890.

Full advantage of our mania was taken by such men as Jay Gould and Jim Fiske. Eries had become popular with the public as early as 1861; they were the first American security, indeed, to meet with anything like popularity outside the inner circles of finance. Their popularity was maintained for years, and not only were ordinary dealings transacted in great volume on the Stock Exchange, but they became the subject of enormous arbitrage dealing as soon as arbitrage dealing was facilitated by cable communication. The first regular exchange of prices between London and New York was instituted in August 1866, and at that time Eries were still all the rage. There was a long-continued struggle for the control of the stock between London and New York, and many were the pools and the cliques. In 1867 the pool organised by the Gould group

on the other side was upset; in 1869 the phase of the fight resulted on 24th September in the American Black Friday, and in 1872 Jay Gould was arrested and despoiled of much of his gain. It was in this war of the markets that Mr. Tom Nickalls was crowned the Erie King. To him and Mr. Satterthwaite belonged the credit of battling with such success as was attained for the interest of the market here. "In ousting Gould," graphically writes Mr. W. R. Lawson, "shares had to be bought by tens of thousands and shipped over to New York to be voted on. The Erie King was frequently seen on pay day half buried in bundles of stock. Spacious offices had not then come into fashion, and Mr. Nickalls had sometimes so many Eries to receive that they had to be piled on tables or heaped on the floor. A carelessly dropped match might on one of those exciting pay days have annihilated a fourth part of the Erie capital."

A severe blow to the House was the first Reading default in 1880. One of its most highly respected members went under as a result of a single transaction on the eve of the announcement of the default; for in those days Yankees were turned over in fifties of thousands. But the market with its experience of the Wabash bubble, and the Pacific and Atchison scandals, and all the wrecking that went on, soon became accustomed to Reading defaults. Slowly but surely, however, the vagaries of the railroad bosses in time robbed

20 VOLUME
WORWORTH
LONDON



From a pen-and-ink sketch by Joseph Pennell.

A CORNER OF THE YANKEE MARKET.

the market of its prestige. Its glory departed in 1890, and for a decade it continued in a state of stagnation. It so continued until the utter rout of Mr. Bryan and his silver party and the triumphant return of President McKinley, together with rapidly expanding trade and prosperity, and numerous schemes of railroad amalgamation and consolidation, led to the great boom of 1901.

But in the seventies there were huge transactions in other securities besides American Railroads, and transactions were carried through with phenomenal despatch. A member of the Stock Exchange has related with evident pride an instance of what occurred at the beginning of December 1877. A stockbroker came in with an order from a banker to sell about £150,000 of Consols, and the money was wanted that very day. There was about £80,000 or £90,000 of New Consols and about £60,000 or £70,000 of Reduced. It was about twenty minutes to one o'clock when the broker entered the market, and by one o'clock the transaction had been concluded and the money paid.

In the Stock Exchange year ended March 1876 there had been an upheaval of the House, which showed itself in a manner most drastic at the election of the Committee at that time. Widespread dissatisfaction arose in a matter of internal discipline. The Committee inflicted penalties on one of its number which the general body of members regarded as far

from sufficiently severe, although he forthwith resigned. There was an election to fill the vacancy, and the result was a defeat of the old members; and they also resigned in a body. The members petitioned the retiring Committee to retain their seats, and the great majority of those who consented to stand again were re-elected. But the outcome of the upheaval was that out of thirty members about one-third were replaced by new representatives.

As giving evidence before the Foreign Loans Committee the name of Mr. Albert Grant—Baron Grant—has just been mentioned in a preceding page. At the trial of the case of *Twycross v. Grant*, which arose out of the promotion of the Lisbon Tramways Company about this time, it came out that Mr. Grant had made a statement to the effect that the company's broker had declared that, although the scheme was worthless, it must be allowed to go on in the interest of the Stock Exchange; that as a settling day had been appointed the brokers and dealers could not be allowed to lose their commissions, and therefore the swindle must proceed. Ever jealous of the honour of the House, the Stock Exchange Committee naturally seized upon this statement to sift it to the very bottom. The brokers, a well-known firm, were summoned before the Committee and requested to account for this allegation of Mr. Albert Grant. The member of the firm, who himself alone had

dealt with the matter, declared that no such statement had ever been made. He went further, pointing out that so far as his firm was concerned it was of no consequence whether the company went on or not, as his firm was to be paid on allotment. Baron Grant, after a remarkable speculative career—he may perhaps be described as the successor of Mr. Hudson, the Railway King, and the predecessor of Mr. Hooley—died, at the end of the century, in misfortune and comparative obscurity.

At the beginning of 1876 a new Deed of Settlement for the Stock Exchange came into force. The old deed, originating in 1802, which has been described, had been found for many years to be so cumbrous that the possibility of improving it had been long contemplated by the Managers. Although the principles of the old deed were substantially continued under the provisions of the new one, each original share in the undertaking was divided into ten new shares. There were originally 400 shares, and these accordingly became 4000. The amount which had been paid on each share was £280, or, taking into account dividends capitalised, £540; and after the subdivision it was taken as being £54. The market price of these shares, £54 paid, was at the time about £160. Calls on the new shares were still unlimited in amount, but no more than five pounds a share could be called up in any one year. The new deed

provided that no new proprietor could hold more than ten shares, and every new proprietor had to be also a member of the Stock Exchange. A stranger who, say, inherited shares would have to sell within twelve months. The new deed also provided that a Committee of Consultation, consisting of a sub-committee of the Committee for General Purposes and a committee of the Trustees and Managers, might be held for the purpose of conferring on any particular matter affecting the interests of the Stock Exchange generally; and the system of appointing Managers was somewhat modified. At this time the number of proprietors was 502, of members 2009, and of clerks 1236. In the same year was made the final payment to the Corporation of the Sons of the Clergy on account of the purchase of the freehold property. Payments had been gradually made for some years.

About this time a system sprang up on the Stock Exchange of selling railway dividends, which were very largely dealt in just before the half-yearly announcements. Subsequently, however, the Committee enacted a regulation to the effect that such dealings would not be allowed, and this branch of business, so extremely aleatory, accordingly fell into desuetude.

A small but interesting body, formed about the time of the execution of the new Deed of Settlement, was the Stock Exchange Christian Association. Founded in the year 1876, its

rules then were practically the same as they are to-day, and from the simple set it suffices to quote the one explaining the Association's aim, which was and is to "unite for mutual edification those engaged, either as Members or Clerks, in Stock Exchange business, who desire to live as the disciples of the Lord Jesus Christ, and to associate their efforts for the extension of His Kingdom." The Association is managed by a Committee consisting of a president, vice-presidents, and eight members, including the treasurer, secretary, and assistant secretary, who are elected at an annual business meeting. In order to forward the work of the Association, monthly meetings are held from October to July, for prayer, for the study of the Scriptures, and for the hearing of addresses. The London Banks' Prayer Union and the Stock Exchange Christian Association have occasionally joined hands in organising a meeting, and there is a Foreign Missionaries' Fund in connection with the Association, which annually receives contributions from members and friends to the amount of a hundred or two. The roll of members is not a large one, comprising about 250 names. It was sometimes urged upon the Association that it should move for the abolition of Sunday labour, which frequently occurred in the Settlement Department of the Stock Exchange when the carrying-over day fell on a Saturday. On these occasions the clearing clerks were paid fifty per cent more than the usual rate. But Sunday

labour has recently been abolished by a rule making Friday the carrying-over day when in the ordinary way it would fall on a Saturday. It is also urged upon the Association that it should be more modern and practical in its work, promoting discussion affecting the daily life of the markets from an ethical point of view. There are many points of Stock Exchange procedure ignorantly condemned in the pulpit and drawing-room which need only a little explanation to show that they are harmless, useful, even necessary.

CHAPTER XVI

THE ROYAL COMMISSION ON THE STOCK EXCHANGE

Names of the Commissioners—Officials and members of the House as witnesses—Compliments to the Stock Exchange—A dream of amalgamation between Managers and Committee—Keeping brokers and jobbers distinct—The good apprentice—Assessors to help the Committee—Recommendation to open the House to the public—The value of the jobber—A register of neglected securities—Legislation against dealings before allotment recommended—Suggestion that Committee should admit securities to quotation indiscriminately—How to restrict gambling—Proposed sub-committee to examine candidates for membership—Readmission of defaulters—An “Official List” Committee—Incorporation of the Stock Exchange recommended—No outside brokers—A public functionary to control the Stock Exchange—Some Commissioners’ reservations from the report of the Royal Commission—Stock Exchange law and the law of the realm.

IT was on 20th March 1877 that the Government agreed, apparently with some reluctance, to a motion by Mr. Reginald Yorke for a Royal Commission to inquire into the constitution and customs of the Stock Exchange. Many allegations were made against the institution in the course of the debate, and on Saturday

9th June 1877 the Stock Exchange was put on its public trial, the Commission sitting for the first time on that day. It consisted of Lord Penzance, who was Chairman, Lord Blackburn, the Right Hon. Spencer H. Walpole, M.P., the Right Hon. E. Pleydell Bouverie, the Hon. Edward Stanhope, M.P., Sir Nathaniel M. de Rothschild, Bart., M.P., Mr. H. Hucks Gibbs, Mr. B. Buck Green, Mr. John Hollams, Mr. Coleridge J. Kennard, Mr. Septimus R. Scott, and Mr. Reginald Yorke, M.P., and the Secretary was Mr. R. G. C. Mowbray. Its sittings were continued for more than a year. It had no power to compel the attendance of witnesses or the production of documents, being obliged to rely upon such information as was voluntarily given; but on the other hand, it acknowledged that access to every fact, document, and information which the Committee of the Stock Exchange possessed was freely offered, and that it received every assistance from the Committee in the conduct of its inquiry.

In the course of the voluminous evidence laid before the Commission it examined rather more than fifty witnesses, of whom ten were officials of the Stock Exchange, fifteen were brokers, and ten were jobbers, or dealers as the Commission sedulously persisted in styling them. The officials of the Stock Exchange examined included Mr. Francis Levien, Secretary to the Committee for General Purposes; Mr. W. F. Perowne, Secretary to the Managers;

Mr. Slaughter, Secretary of the Share and Loan Department; Mr. S. Underhill, the Deputy-Chairman of the Committee; Mr. Harry Tompkins, the Official Assignee; Mr. Frederick Slous, a former Chairman of the Committee; Messrs. A. J. Scrutton and Hall Rokeby Price, members of the Committee; and Mr. George White, a clerk in the Share and Loan Department. Amongst the brokers who were examined were Mr. J. H. Daniell, Mr. Frederick Banbury, Mr. Branch, who tendered evidence as to the *Official List*, Mr. Arthur Wagg, Mr. Pyemont, Mr. A. Braithwaite, and Mr. Roger Eykyn, who posed as a reformer, desiring to see the Committee reconstituted and its business conducted on radically different lines, the Stock Exchange incorporated, and the public admitted to the gallery of the House. Amongst the jobbers and dealers examined were Mr. James H. Renton, who gave evidence as to the Railway Market; Mr. G. W. Medley, who spoke as to double commissions; Mr. L. L. Cohen, of Foreign Loan fame; Mr. R. Thorp, who tendered evidence as to the Consol Market; Mr. C. J. Furlonger, an authority on Bank shares; Mr. George Cawston, of the Foreign Market; and Mr. J. P. Trew, of the American Market. Besides these officials and brokers and dealers of the Stock Exchange, many others were examined, including Mr. J. B. Monckton, Town Clerk of the City of London; two or three accountants connected with the companies whose names came before the Com-

mission ; Mr. Robert Giffen, the distinguished statistician ; Mr. Humphrey, the Manager of the Stock Exchange Clearing House ; Mr. Wreford, the plunger ; Mr. W. H. Davies, the Managing Director of the Exchange Telegraph Company ; and representatives of the Liverpool, Manchester, and Glasgow Stock Exchanges. Some of these witnesses, even amongst the officials, brokers, and dealers of the Stock Exchange themselves, did not give evidence exactly in accordance with the liking of their fellows. But Mr. Scott, from his place amongst the Commissioners, with his masterly examinations and cross-examinations, with his timely questions, ever on the alert, earned the admiration of all, and performed yeoman's service in defence of the great institution of which he was for so long an ornament.

The report of the Royal Commission, when it was issued in 1878, formed an admirable essay on the constitution of the Stock Exchange and the conduct of its business. The Commissioners had by Royal command been instructed "to inquire into the origin, objects, present constitution, customs, and usages of the London Stock Exchange, and the mode of transacting business in and in connection with that institution, and whether such existing rules, customs, and mode of conducting business were in accordance with law and with the requirements of public policy, and if not, to advise in what respect they might be beneficially altered."

It may at once be said that the report of the Commission was distinctly favourable to the Stock Exchange, although it contained some drastic recommendations. At the very outset the Commissioners declared that they desired to express their opinion that in the main the existence of such an association and the coercive action of the rules which it enforced upon the transaction of business, and upon the conduct of its members, had been salutary to the interests of the public, while in the administration of its laws the Committee for General Purposes had, so far as the Commissioners had been able to discover from the evidence, acted uprightly, honestly, and with a desire to do justice. Speaking generally of the institution itself as a whole, and of the rules by which its operations were regulated, the Commissioners recognised a great public advantage in the fact that those who bought and sold for the public in a market of such enormous magnitude in point of value, should be bound in their dealings by rules for the enforcement of fair dealing and the repression of fraud, capable of affording relief and exercising restraint far more prompt and often more satisfactory than any within the reach of the courts of law. The Commissioners foresaw even better things in the future, for whilst apparently taking some exception to the twofold character of the Stock Exchange and to its dual government under Managers and Committee, they remarked that the provisions of the new Deed of Settlement, multiplying the

number of shares, stipulating that no new shareholder was to be accepted unless he were a member, and allowing for a Committee of Consultation between the representatives of the proprietors and those of the members, seemed to have been framed with a view to the ultimate amalgamation of the two controlling bodies. Of course we know that, despite this dream of unity, no such amalgamation has even yet been effected.

It was agreed by the Commissioners that a distinction ought to be maintained between brokers and jobbers, and they observed with satisfaction that by a recent amendment of a rule the Committee had refused to allow members to act in the double capacity at the same time. Of course it was not foreseen then that many years afterwards loud complaint would be raised that brokers were quietly acting as jobbers and that jobbers were quietly acting as brokers, and that the Committee, more or less powerless, would prefer to eschew the question.

The Commissioners built up a defence for the Stock Exchange against that yoke of the City. Although, they said, there was no evidence that members of the Stock Exchange practised as brokers without a licence from the City, the two authorities were not in any relation to one another, and there were undoubtedly persons practising as stockbrokers under a licence from the City without being members of the Stock Exchange.

Then the Commissioners were persuaded

that the apprenticeship served by a clerk who eventually became a member on his own account carried with it a promise of future success.

The Commissioners were satisfied with the constitution of the Committee of the Stock Exchange. They were unable to concur in the suggestion that in the case of the more important questions brought before it, involving as they might possibly do the personal interests of some of its members or the character and position of persons outside, it would be more satisfactory, both to the public and to other members of the House, if it were assisted in its deliberation by some assessor not connected with the Stock Exchange. The Commissioners were of opinion that a body of men such as the Committee, with the addition of one or even three assessors, would have the merits neither of a legal nor of a commercial tribunal. Cases requiring the adjudication of the Committee were constantly arising, the facts to a person not professionally acquainted with the subject were complicated, they held, and it was in many cases essential that the decision should be prompt and complete. No satisfactory plan had been laid before the Commissioners for ensuring the constant attendance of a properly qualified assessor, or for defining his relations to the voluntary body which he would be required either to guide or to control.

Another suggestion as to the Committee was that it might with advantage be subdivided into special panels for dealing with special subjects.

The answer which was made to this suggestion was that the presence and influence of a comparatively small body of skilled and experienced members upon a large Committee was of more value to the Stock Exchange than the same amount of influence if distributed among a number of smaller committees. This answer, the Commissioners thought, was sufficient, and except with regard to the admission of members, dealt with subsequently, they were not of opinion that the principle of subdivision could be satisfactorily applied to the Committee. They were, however, of opinion that in order to allay suspicion and ensure confidence, members of the Committee who had not been present throughout any inquiry should take no part in the decision, and that there should be some declaration on the part of those present, when any pecuniary considerations were involved, that they had no personal interest at stake.

A compliment was paid to the Stock Exchange in a clause in which the Commissioners reported that they were assured that the want of a written contract between members had in practice no evil results; and that out of the millions of contracts made on the Stock Exchange, such a thing was hardly known as a dispute as to the existence of a contract or as to its terms.

As to the Clearing Department of the Stock Exchange, by which a whole series of bargains was settled by the ultimate seller delivering to the ultimate buyer, the Commissioners reported

that the machinery by which this was managed was to be found in the rules applicable to the subject, the detailed and minute provisions of which were the result of long practice and careful amendment, and appeared to answer the purpose exceedingly well.

As to the Stock Exchange principle that members should be entitled to look to the members with whom they dealt as if they were the principals, the Commissioners held that it had the merit of enabling the Committee, with its absolute power, to enforce bargains and adjust disputes with speed and facility. Nor were the public injured by such a system, so long as the legal rights and liabilities of the seller or buyer, in relation to the principal outside, were not extinguished or affected. But the Commissioners held that if a client or principal outside the House employed a broker to make a contract on his behalf, no rule of the Stock Exchange ought to be allowed to qualify or destroy their legal relation. In this connection the Commissioners deemed it only fair to add that all disputes or charges of unfairness between members of the Stock Exchange were referred at once to the Committee, which disposed of the matters with the utmost promptitude.

Although the Commissioners declared that the public were enabled to count upon a reasonable speed and certainty in the transaction of business, and that the vast amount of business done secured to those who dealt in the Stock

Exchange as small a difference between the buying and selling price as could be obtained in any other market, yet in spite of this they observed that if it were possible it would be desirable that the House should be open to the public, not so much because an investor would have any real control over the bargain which his broker might make for him, as for the purpose of removing a certain amount of jealousy and suspicion which was created in some minds by the closed House. They admitted, however, that they had been assured on all hands that the building was hardly adequate to the accommodation of the two thousand members, and that if strangers were allowed entrance the transaction of business would be seriously impeded.

The question as to the value of the jobber has been intermittently raised ever since he existed, but the Stock Exchange Commission found that his existence was of extreme value to the public. Such facilities did it afford for the prompt transaction of business that orders given on the provincial exchanges or on the foreign Bourses were constantly being sent to London. But the value of the jobber in cases of inactive securities in which he could not make a price in the ordinary way was doubtful; in arranging bargains then he became a mere middleman, and in this connection the Commissioners recommended the adoption of a suggestion which they deemed very valuable. It was that a book or register should be kept in the Stock Exchange in which brokers should be

invited to enter from time to time the names and quantities of any inactive securities which they might have instructions to buy or sell, with or without the price at which they were willing to deal. This would bring the buyers' and sellers' brokers into immediate contact, and by the exclusion of the middleman jobber, for whose services there was no need in such cases, would save the profits, sometimes unreasonably large, which he secured for himself.

Just as the Select Committee on Foreign Loans had done two or three years previously, just as we have seen in a previous chapter the Stock Exchange Committee itself had done, the Royal Commission spent much time and care in the consideration of the difficult problem as to dealings before allotment and the Stock Exchange rules on the subject. The Commissioners thought that the scandals that arose in connection with these dealings ought not to be laid as a charge against the Stock Exchange Committee, which appeared to have done all that could be expected of it. But they did think that these scandals were necessarily incident to a system which first permitted bargains to be made in shares over the existence and distribution of which unlimited buyers had an entire control, and then sought to remedy the unfair advantages which might result by refusing a settlement; the decision being in the hands of a tribunal itself not wholly free from the suspicion of partiality, a decision which, though affecting the entire

market, might or might not be invoked according as the interests of individuals might dictate. The Chairman of the Stock Exchange had informed the Commission that the House was by no means prepared to oppose the working of any legislation rendering dealings before allotment illegal. Although the Stock Exchange would persist in enforcing the fulfilment of bargains as debts of honour even although such bargains were declared by the law of the land illegal, yet if an Act were passed forbidding dealings before allotment under a penalty, the rules of the Stock Exchange would be made to conform to such legislation. Accordingly the Commission recommended such legislation.

A most important decision was arrived at by the Commission as to the quotation of stocks and shares on the Stock Exchange, and the stamp of genuineness and soundness which this quotation was popularly supposed to imply because of the preliminary investigation of the Committee. The Commission was in favour of the continuance of the investigation into formal matters—but thus far and no farther. “It cannot be denied,” they reported, “that the requirements of the Committee, and the investigations to which they have led, have in practice been in many instances the means of either detecting fraud or of rendering fraud which has been subsequently detected more easy of proof. This is a strong argument for the continuance in some form and by some authority of these investigations. We think, however, in any

case that the Committee of the Stock Exchange is not the proper authority to undertake such duties. They represent only the controlling authority of the market upon which bonds or shares are sold, and to invest them with the duty of inquiring into matters which concern only the validity of the things bought and sold is, in some sense, at any rate to popular apprehension, to make them responsible for the validity and stability into which they inquire. Upon the whole we think, therefore, that if any such inquiry into the circumstances of a new loan or company is deemed necessary for the public protection it ought to be undertaken by some public functionary and enforced by law."

The Commission certainly seemed to go as far as it possibly could to exonerate the Stock Exchange from the charge that it encouraged gambling. It found that the members with whom the large majority of purchases or sales were effected were entirely unable at the time of making them to distinguish between bargains made with them for the purpose of speculation and those arising from the desire to invest money or to sell investments. In these circumstances the Commissioners did not think it practicable to render speculative or gambling business any more illegal than it already was, and they did not propose any change in the law. Much of the gambling business, the Commission was told, was transacted by the younger and more necessitous members, and it suggested that the Committee might very well

hold a restraining hand over any of the members who should turn out to have lent themselves to extravagant speculation, or to any speculation by those who had no adequate means. The Committee should, it thought, in cases where bankruptcy or insolvency had resulted from practices of this kind, call to account the broker through whose agency the insolvency was brought about, visiting him with severe punishment in the absence of reasonable exculpation.

There were some minor matters in which, it was the opinion of the Commission, the system of the Stock Exchange might be modified, and this without the assistance or interference of the Legislature. For instance, it had been suggested that sufficient attention had not been paid to the character, position, and general fitness of new members admitted, and that formal questions required by the rules had been allowed to take the place of any real inquiry. The Commission was strongly of opinion that there should be in every case a substantial inquiry into these matters; and moreover it was of opinion that such inquiry would better be carried out by a small sub-committee appointed for the special purpose than by the general Committee, in which the sense of individual responsibility was weakened by numbers. It was further of opinion that it would be desirable that the period for which the security was taken should be extended from two to four years, with a propor-

tionate extension in the case of the guarantees of clerks who became members.

From a statement laid before the Commission, it appeared that out of 265 members who had been in default in the previous decade, 116 had applied for and 105 had obtained readmission. The Commissioners were of opinion that such a proportion of persons readmitted, whose conduct had avowedly been marked by indiscretion and want of reasonable caution, was excessive, and that the rule of the Stock Exchange should be against the readmission of a defaulter except in very special circumstances, unless he was one whose failure had occurred through default of principals, or in other circumstances where no bad faith or breach of the regulations of the House had been practised, where the operations had been in reasonable proportion to the defaulter's means or resources, and where his general conduct had been irreproachable. The Commissioners also drew attention to the fact—which at that time, although not so now, was a fact—that no notice of a default was communicated to the outside world, and that even pending the settlement of his affairs, and before readmission, the defaulter was allowed, with the sanction of the Committee, to carry on his business through some other member of the House. This, the Commissioners held, ought not to be allowed except with the knowledge and consent of the client, and it should be for the defaulter to show that such consent had

been obtained. They were also of opinion that on the readmission of defaulters fresh security should be required to the same amount and extent as on their original admission, the Committee having the power to make a reduction in special cases.

The Commissioners refused to interfere in the matter of fixing an official tariff of brokers' commissions, or in the matter of sharing commissions with runners, or in the matter of taking a second commission on certain transactions with financial houses. But they expressed the opinion that in the case of the commission being divided, or a double commission being taken, the client ought to be informed of the fact.

As to the *Official List*, the Commissioners went as far as to recommend the appointment of a List Committee. In the cases where there were different classes of one security which, because of their varying marketability, were quoted at slightly different prices, the Commissioners suggested that additional columns might be provided in the *List* for each separate class which commanded a different price. It was a halting, apologetic little suggestion. It might not be feasible, but the Committee would do well to consider it, "as the removal of distrust is a result well worth achieving at the price of mere inconvenience." The Commissioners were strongly of opinion that it was very much to the interest of the Stock Exchange that the *List* should be made

as perfect as possible, for the dissipation of unjust suspicions and the preservation of the confidence of clients in their brokers. The duty of marking all the variations should be enforced as strictly as possible, and no pains should be spared to make the *List* a complete and faithful record. The practice of putting into the *Official List* closing quotations which were not under official sanction at all, but were furnished by individual dealers in the market, who were subject to no responsibility, was, in the opinion of the Commissioners, a matter worthy of serious attention. Such prices, it had been proved, were not always to be depended upon ; in some cases, indeed, they were seriously misleading. It was to supervise these closing quotations that the formation of a List Committee was recommended. “The publication of that which is official, together with that which is not, in one and the same *List*, without distinction, no matter what explanatory heading is affixed to it, cannot fail to mislead careless people—that is to say, the majority of the community.”

After this little touch of diluted Carlylese the Commission, at the end of its report, boldly announced its most important recommendation. In fact, the sting of the report was in its tail. The Commissioners recommended that the Stock Exchange should alter its very status, that it should become an incorporated or chartered body ! Here are the words :

“ It is to be borne in mind that so long as

the Stock Exchange remains as at present a merely voluntary Association, subject to no external control whatever, little permanent advantage can result from any attempt to effect improvement in the rules and regulations of the governing body, or the mode in which transactions on behalf of the public are carried on. The members of the association are a constantly varying body, and the Committee hold office only for one year. Assuming, therefore, that changes such as we have suggested are adopted by the Committee, it is obvious that there can be no security for the continuance of these improvements. The members of the Committee who may have established them may at the expiration of the current year cease to be in office, and their successors, elected by a bare majority of the members of the Stock Exchange voting at any election, may entertain and give effect to wholly different views. It is clear therefore that permanence can only be secured by a change in the constitution of the Association itself. The desired object could, we think, be accomplished by the creation either by Royal Charter or by Act of Parliament of a corporate body. This body would be under the management of a council or committee which might be elected as at present, and with very similar powers. The first bye-laws might be framed on the present rules and regulations with the alterations we have suggested; and power might be given to the Corporation to alter

them from time to time, subject only to the provision that no alteration should become operative until approved by the President of the Board of Trade or some other public authority competent to form a judgment on the propriety of any proposed change. Protection would thus be afforded not only to the public but to members of the Stock Exchange themselves against sudden and ill-advised changes at the instance of a mere numerical majority of the members for the time being. At the same time, we wish to express our conviction that any external control which might be introduced by such a change should be exercised with a sparing hand. The existing body of rules and regulations have been formed with much care, and are the result of long experience and the vigilant attention of a body of persons intimately acquainted with the needs and exigencies of the community for whom they have legislated. Any attempt to reduce these rules to the limits of the ordinary law of the land, or to abolish all checks and safeguards not to be found in that law, would in our opinion be detrimental to the honest and efficient conduct of business. The effect of incorporation, such as we intend it, ought to be in the opposite direction, for the rules of a voluntary Association would receive additional force and sanction by becoming the bye-laws of a corporation recognised by the State and approved by public authority."

Besides these reasons given by the Com-

missioners for the proposed incorporation of the Stock Exchange, another, which they described as cogent, was connected with the City's licence, the Lord Mayor's yoke. The control over brokers had been removed from the Court of Aldermen by the Act of 1870, although the licence had remained. Members of the Stock Exchange were satisfactorily controlled by their own Committee; but the Committee had no means of controlling outside brokers, who, the Commissioners thought, should be brought under the same control as members of the House. If the Stock Exchange were incorporated it might well be granted the exclusive right and duty of granting a licence to act as stock-broker.

In the event of the Stock Exchange declining incorporation, the Commissioners recommended that some public functionary should be bound to exercise authority and discretion in granting and withdrawing stock-brokers' licences, such authority and discretion as had lately been exercised by the Court of Aldermen. But the Commissioners would not anticipate that the offer of so valuable a privilege as that of incorporation, if made to the members of the Stock Exchange, would be rejected. "It is recommended by us," concluded the report, "not because we have any reason to think that the present association has at all in the main fallen short of its duties in the past, but rather for the purpose of

strengthening its hands and increasing its efficiency in the future. And if, preserving the element of self-government, additional weight could be given to the institution, and additional consideration and reliance bestowed upon its members by investing the existing Association with a public character in the form of a charter of incorporation, we are of opinion that it would be a sensible gain to the public."

Unanimity did not grace the report of the Royal Commission on the Stock Exchange. Of the dozen Commissioners who signed it a third had reservations to make; this third consisting of Mr. Spencer H. Walpole, Mr. Edward Stanhope, Mr. Benjamin B. Greene, and Mr. S. R. Scott. Mr. Walpole could not concur in the conclusion of the Commission that it would be a salutary change in the law to penalise dealings before allotment. He was able to point out that the Select Committee on Foreign Loans had very carefully considered the subject and had formed the unanimous opinion that such a change in the law would not be advisable. Legislation of the kind would be mischievous in principle and futile in practice; it would disturb the free current of a great mass of legitimate business on the Stock Exchange for the sake of a few exceptional cases in which the freedom was abused; if it were not supported by public opinion it would be evaded in various ways, and, like the defunct Barnard Act, it would be probably inoperative, or made an excuse by dishonourable

persons for evading their contracts when they were inconvenient.

Mr. Stanhope objected to the incorporation of the Stock Exchange. "To attempt to regulate the manner in which business is conducted in the great money market of England," he said, "is going far beyond the province of the State, nor is any Government department in any way qualified to undertake it." He entirely agreed with his colleagues in thinking that the Committee of the Stock Exchange was an unfit body to undertake the duty of protecting the public by those of its rules dealing with settlements and allotments, but he was of opinion that a public functionary would be quite as unfit. His investigation would be just as incomplete, and there would be the possibility of corruption. If an inquiry by the Stock Exchange Committee were misleading to the public, the evil would be enormously aggravated by the consideration that the person entrusted with it was a public official. They would inevitably rush to the conclusion that any scheme which had received the stamp of his approval must certainly be sound, and thus his appointment would have a tendency to impair the individual vigilance which would otherwise be exercised.

Mr. Scott naturally had reservations to make from the Commission's conclusions, and his addendum to the report was a concise defence of the Stock Exchange. He objected to incorporation. Hitherto, he pointed out,

the Stock Exchange had been carried on with great success as a voluntary association, and had grown vigorously. It had not enjoyed a single legal privilege, yet it had thriven ; the public had neglected more than one effort to establish an open market, resorting to the Stock Exchange for business and giving it exclusive confidence. Although the Royal Commission had been sitting more than twelve months yet no important or reliable evidence had been volunteered of a character adverse to the general practices or conduct of business on the Stock Exchange.

As proof that the internal legislation and administration of the Stock Exchange enforced a higher standard of morality than the law of the land could reach, or than it enacted for the regulation of other trades, Mr. Scott pointed to the fact that recently the Committee of the Stock Exchange had been assailed at law by a member whom they had expelled on a charge of dishonourable conduct, the lawsuit being based on the ground that the action of the Committee was not justified in law. The trial lasted seven days and proved abortive, the distinction between the standard enforced by the Committee and the statutory provisions of the law not being appreciated by the special jury, promiscuously selected from various trades, although quite intelligible to the judge. In maintaining this high standard, Mr. Scott said, the Committee were compelled to go beyond the common law ; binding the

members to the observance of their rules and practices even though not enforceable in a court of law.

If, however, they should submit to incorporation, their rules would have to be assimilated to the law and their freedom of action would be curtailed, results which might tend to cripple them in sustaining the standard, and operate in many ways as a hindrance to that rapidity of action which was an absolute necessity in critical times. Further, incorporation implied, in some sort, monopoly, and it remained to be proved that the public would gain by any restriction of the freedom of trade, even in stocks and shares. With regard to dealings before allotment it appeared to Mr. Scott that before resorting to prohibition by penal enactment it should be seriously considered whether the law might not be so improved as to deal penalty with all promoters resorting to fraudulent practices in the issue of new schemes, leaving untouched all legitimate operators. With regard to special settlements and quotations, Mr. Scott did not agree with the report. It was not, he held, in accordance with the rules or practice of the Committee of the Stock Exchange to inquire into the soundness and general stability of the loan or company. A glance at the rules would show that they applied exclusively to regularity in bringing out the new concern, and in no way applied to the ultimate probability of success or profit. If the public were prone to fall into the mistake

of thinking that the Committee performed the duty of authenticating in any way the schemes to which they granted settlement or quotation, they would be still more prone to err in the same direction with regard to a public functionary backed by the law.

Such was the report of the Royal Commission on the Stock Exchange and such were the important reservations. The reservations seem to have gained the day. In some particulars the recommendations of the report were immediately and freely adopted by the Stock Exchange, and as time has gone on certain modifications have been made which coincide with the views of the Commission. But although a quarter of a century has elapsed and the Stock Exchange still flourishes, standing higher than ever in the public estimation, the main part of the report has not been carried out. At this, the time of the centenary of the Stock Exchange, the public are not admitted ; there is no real register of neglected securities, despite the slighted board hanging in the Railway Market ; dealing before allotment is as rampant as ever ; the Stock Exchange Committee still imparts prestige to a security, however unwittingly, by granting it quotation ; it does not license outside brokers and their bucket-shops ; there is no Public Functionary to control the business of the House ; and the Stock Exchange has received no Royal Charter, it is not incorporated.

CHAPTER XVII

FREEING THE BROKERS FROM THE LORD MAYOR'S YOKE

Stock Exchange speculation and the law in 1878—Gambling in pennies—A member's political demonstration—The Stock Exchange and its stamps—Alteration of the Deed of Settlement in 1882—Splitting Stock Exchange shares—Qualification of a Trustee or Manager—Agitation as to the limit of proprietors' holdings—Criticism of the Benevolent Fund—Foundation of the Orchestral and Choral Society—Members as nigger minstrels; tickets at 500 per cent premium—The Peruvian hoax—History of the City's control over brokers—Statutes of the Middle Ages—How brokers were mulcted—Struggles for freedom—Litigation and legislation—The Open Stock Exchange Company, Limited—The Brokers' Relief Act of 1870—Final freedom from Brokers' Rent in 1886.

ERE the report of the Royal Commission had been issued there had been delivered in 1878 two or three legal decisions decidedly favourable to members of the Stock Exchange, inasmuch as they were generally interpreted as showing that if the Committee enforced bargains— even speculative, as distinct from investment, bargains—as between their own members, the broker could enforce his claim under them

against his principal. Such a decision was given at the beginning of July in that year by Mr. Justice Lindley in the case of *Thacker v. Hardy and Others*. After stating that in his opinion all the defendants, the principals, were speculators, and that Mr. Thacker, the broker, knew them to be so, Mr. Justice Lindley proceeded : " If gaming and wagering were illegal, I should be of opinion that the illegality of the transaction in which the plaintiff and the defendants were engaged would have tainted as between themselves whatever the plaintiff had done in furtherance of their illegal designs, and would have precluded him from claiming in a court of law any indemnity from the defendants in respect of the liabilities he had incurred. But it has been held that although gaming and wagering contracts cannot be enforced, they are not illegal." His lordship therefore held that the statute did not preclude the plaintiff from maintaining his action, and gave judgment in his favour. It was a famous victory for the broker over the unscrupulous client.

There is no doubt, of course, that much Stock Exchange speculation is gambling pure and simple, although there can be little sympathy with the client who tries to crawl out of the losses he has incurred under the shadow of this excuse. The speculative fever which is bred in the bone of the members and their clerks is easily discernible by the most superficial observer. The constant communication with fluctuating markets—often wildly fluctuat-

ing markets—leads naturally enough to other forms of risking money. Quite half-a-dozen thriving gambling clubs exist in the neighbourhood of the Stock Exchange, and they carry on their business with very little secrecy. There was a police raid on one, the Copthall Club, quite recently, which caused a good deal of excitement in the House. It is perhaps the clerk with his £150 a year who is the mainstay of most of these places.

As to clerky speculation, it is related that at the time of one of the Yankee booms those engaged in the Settling Room became fever-stricken and began to deal amongst themselves in American Rails. Differences, however, were paid in pennies instead of in pounds. Thus, if a clerk's account showed a loss of £50, he paid 4s. 2d. to the man with whom his fictitious shares were open. The mania quickly spread ; and to deal in 1000 Milwaukees was a mere trifle. Presently the matter came to the ears of the Stock Exchange Committee, to its intense horror, and six of the ringleaders received sharp suspension sentences.

Meantime, in 1878, the members of the Stock Exchange had been affected by a minor financial crisis, and had taken part in a political demonstration. The financial crisis was caused by the City of Glasgow Bank failure, when the condition of the money market was such that on Monday, 14th October 1878, the Bank of England was compelled to raise its rate from five to six per cent, the position being

too serious to allow of a postponement of the movement until the usual Thursday meeting. The political demonstration arose out of the Russo-Turkish war. The attitude of our Government towards Russia, especially when it became so pronounced as to involve a vote of six millions sterling, and a fall in Consols to $93\frac{5}{8}$ —below which they have never stooped since—caused great excitement in the Stock Exchange, and a lively demonstration was held in support of the Government's policy; such a demonstration as those held later against Home Rule for Ireland, and in connection with the Boer War. There was a time when proprietors possessed the practical power of Parliamentary votes for Middlesex and for the City, by reason of their holding of Stock Exchange shares; but in connection with the splitting of the shares this enfranchisement was lost. However, the Stock Exchange always takes a great deal of interest in politics, being very Conservative. Many of the members of the House at Capel Court are members of the other House at Westminster. Nor is the interest of the Stock Exchange confined to imperial and national politics. Situated in the Broad Street ward, it often returns some of its members to actively represent that ward in municipal life.

For many years prior to 1881 the Secretary of the Share and Loan Department was granted a licence by the Board of Inland Revenue for the sale of documentary stamps to the members

of the Stock Exchange. On the death of Mr. Slaughter, in 1880, the Board of Inland Revenue informed Mr. Henry Burdett, his successor in the office, that they could grant him only a temporary licence, which was withdrawable on six months' notice. Sir Henry has given us a clear account of the position and the reforms which were wrought. At this time, in accordance with the rules and regulations of the Stock Exchange, stamped transfers representing stock could be obtained up to the value of £9: 15s. only, and the practice was not to deliver transfers for more stock than a stamp of this value would cover. Whenever larger dealings in stock took place it was necessary to split up the amount into as many transfers bearing £9: 15s. stamps as might be necessary. The labour involved was of course considerable, and as business increased it became a matter of urgent necessity to find an alternative system which should lessen the burden of the work cast upon the clerks of the members of the Stock Exchange. In April 1881 an arrangement was concluded with the Board of Inland Revenue under which stamps of any value might be obtained, so that any transfer, however large, could be dealt with in one deed. Up to this time spoilt and damaged stamps had to be sworn off at the City office of the Board, and much inconvenience and loss of time resulted from this system. Arrangements were therefore made for the exchanging of spoilt unsigned transfers at the Share and Loan De-

partment, where also signed transfers could be sworn off without delay or difficulty. Unstamped executed transfers had up to this time to be taken to Somerset House to be stamped; but in due course provision was made for transfers of this character to be left in the Share and Loan Department of the Stock Exchange, whence they were forwarded to Somerset House at frequent intervals during each day. As the business of the House increased, additional facilities were afforded for the payment of stamp duty on registered transfers and deeds, and at the present time the system has been so perfected that every possible facility is now afforded for obtaining stamps, for stamping transfers and other documents, and for the exchange of, and allowance for, spoilt stamps. In fact, these facilities are so great that almost everything a member of the public can obtain at Somerset House can now be obtained by a member of the Stock Exchange in its Share and Loan Department. The enormous advantage resulting from this improvement in system was strikingly illustrated during the year 1895, which is memorable owing to the boom in South African shares—the great gold discoveries in the Transvaal had occurred about 1886. In one day in October 1895 the number of signed transfers, very largely foreign, which were stamped exceeded 4000. It does not seem too much to say that, had it not been for the foresight exhibited in establishing and perfecting the system of supply, and had the

old arrangements of 1880 still continued in force, it would have been impossible to have carried through the enormous volume of business which had to be transacted during each account. The actual amount of business transacted in the Stamp Department was five times as great in 1895, and nearly three and a half times as great in 1896, as it was in 1881.

After much careful thought and deliberation it was decided at the end of 1881 to make some further appreciable alterations in the Deed of Settlement of the Stock Exchange, and a meeting of the proprietors was held with that object, the confirmatory meeting being held three weeks later, on 9th January 1882. The resolutions submitted were no fewer than fourteen in number, and more than twenty clauses of the Deed of Settlement were directly affected by the alterations, but the main object of the change was to bring about a rearrangement of the capital. It was decided that the capital of the Stock Exchange should be nominally £240,000, and that in substitution of the existing shares, £58 paid, this capital should be divided into 20,000 shares with £12 credited as paid. The capital was made subject to increase either by means of further calls or by the issue of new shares. Under the former clause of the Deed of Settlement no person was allowed to acquire or hold more than ten shares, but as the shares were to be subdivided this clause was modified, and in conformity with the alteration a holding of fifty

new shares, £12 paid, was allowed, where a holding of ten shares, £58 paid, had been allowed before. In the same way the alterations of the Deed of Settlement affected the question of calls. Hitherto it had been provided that no call should exceed £5 on every new share or £50 on every old share; it was now provided that no call should exceed £2 on every share on which £12 was deemed to be paid, or £100 on every original share. The alterations proposed further provided that no one could be elected as Trustee or Manager of the Stock Exchange unless he had been for the preceding five years both a proprietor and a member, and unless at the time of his nomination he held at least ten shares. But the limit of the holding of each proprietor soon gave rise to further question. It became the subject of much discussion and formed the occasion of many meetings, official and unofficial, in the same year—1882. At one of these official meetings it was proposed that the stipulation in the Deed of Settlement that no one should hold more than fifty shares should be rescinded altogether, and that no limit should be substituted. This resolution was submitted by the Trustees and Managers themselves, but it did not find acceptance. Shortly afterwards a requisition was sent in to the Trustees and Managers, signed by over three hundred proprietors, demanding a meeting on the subject, which was held in August 1882. At that meeting a resolution was passed moving upward

the limit on the number of shares which might be held from fifty to two hundred.

This year 1882 was an active one as regards the consideration of the internal affairs of the Stock Exchange. Possibly the alteration of the Deed of Settlement, the splitting of the capital of the institution, the discussion of the amount of the holdings of its proprietors, loosened the spirit of reform and set it afoot. The Stock Exchange Benevolent Fund, formerly called the Decayed Members' Fund, has often been the object of criticism amongst members, as it has ever been the object of their generosity. In this year of ferment there sprang up a reformer in Mr. M. L. Craven. His contention was that the Fund was a model to misers; that the Committee of the Fund exercised too much caution; that they did not distribute the charity with sufficient bounty. He pointed out that, although the Fund amounted to £156,000, or £167,000 if sums which might be claimed on defaulters' estates were included; although it earned interest amounting to £5800 a year; although for the previous year the stewards had collected some £11,000,—the amount paid away in annuities and donations in the preceding year, including all expenses, was only £7535. He drew a vivid contrast between what he described as the plethoric, apoplectic condition of the Fund on the one hand, and the penury in which the annuitants were living on the other. Out of 114 annuitants only nine were receiving an

income exceeding a hundred pounds a year; twenty-six were passing rich on forty pounds a year or less; and the average income of the other seventy-nine was about sixty-two pounds a year. The income of the Fund in the previous year had equalled two-and-a-half years' expenditure. The invested capital of the Fund was equal to twenty years' annuities even without any further addition. Mr. Craven urged the Committee to double its bounty, or in the alternative, he appealed to subscribers, upon whom the collecting stewards were soon to be let loose again, to send their donations direct to deserving annuitants. His complaint was at least strong enough to draw a rejoinder from the Committee, which, while relying upon conservatism and caution, pointed out that the amount of the annuities had been almost quadrupled during the preceding quarter of a century.

Another internal event of no little importance was the foundation in October 1883 of the Stock Exchange Orchestral Society, which has now, accordingly, at the centenary of the Stock Exchange, reached the age of sweet seventeen, the Male Voice Choir being about three years younger. Although the Stock Exchange Orchestral and Choral Society is now quite an acknowledged factor in the musical world, its success at first seemed doubtful, such scanty support did it receive even from the musical members of the House. It now gives a series of three subscription concerts at the Queen's Hall each season.

The members of its orchestra, about 110 in number, attend for rehearsal every Friday evening for two hours and a quarter, and the members of its male voice choir, about 65 in number, every Monday evening for ninety minutes. Now and again members' own compositions are performed, taking quite a worthy place amongst those of the great masters. The Stock Exchange Orchestral and Choral Society certainly holds a foremost position amongst musical associations ; the compositions by many of the vice-presidents, who include the most distinguished living musicians, are performed under the composer's personal direction ; assistance is rendered by the society to charitable objects ; and on each of the three occasions when the King, then Prince of Wales, was present at its concerts he spoke of the performance in the warmest terms of approbation.

Thus the Stock Exchange provides London with so much classical music of the highest standard that the members can afford to laugh in pride over the fact that they have figured as nigger minstrels. On 23rd May 1884 a grand minstrel entertainment was given in the Prince's Hall, Piccadilly, in aid of the Stock Exchange Clerks' Provident Fund. The programme was the orthodox minstrel programme, with a first part consisting of comic and sentimental songs, a second part consisting of a variety entertainment, and the whole concluding with a sketch. There were twelve vocalists and about twenty instrumentalists,

with corner men, bones, and interlocutor. A sum of £150 was realised for the Fund, and the tickets for the 5s. stalls rose to 30s. before the evening of the performance. One of the founders of the Orchestral Society, writing soon afterwards, described the entertainment as a tremendous success, declaring that "it was acknowledged the jolliest evening since the vocal competition, Oxley *v.* Owen, in 1862." There was a very similar minstrel entertainment a year later, on 19th June 1885, at the same place, under the direction of Mr. Walter Pallant. Such songs as "Ebenezer Petersneezer" were sung by permission of the real Moore and Burgess Minstrels, but a gavotte performed by the orchestra, what time Mr. F. Carruthers Gould amused the audience with his lightning blackboard sketches, was composed expressly for the occasion by Mr. Vandervell. Five years later we find a recognised troupe, "The Stock Exchange Minstrels," who provided yet another entertainment, still in aid of the Stock Exchange Clerks' Provident Fund, and still under the direction of Mr. Walter Pallant. Assuming the alliterative title of Professor Pallant, he gave as one of the items of the second part of the programme "A Few Experiments in Hypnotism," at which assistance was rendered by various members whose names were given, and, to quote the programme, by "anybody else who is juggins enough to come out of the audience."

Meantime the Stock Exchange, to return to business, had been the subject of the famous Peruvian hoax. An important letter on official paper addressed by Mr. Gladstone's private secretary to the secretary of the Stock Exchange was posted on the notice-board. It was to the effect that a long-expected and much-desired settlement with the Chilian Government in favour of the holders of Peruvian bonds had been satisfactorily negotiated. The bonds rose five or six points in very few minutes. When the good news became sicklied o'er with the pale cast of thought, it began to be asked why the communication had been received through Mr. Gladstone instead of through the Foreign Office. Inquiry was instituted, the whole affair was found to be a hoax, and the fictitious notice and the price of Peruvians came down together. There was, of course, investigation, but the name of the perpetrator of the hoax was never known publicly.

This hoax lives in the memory because of its importance, but there have been others of a minor nature since. For instance, in October 1900, a telegram appeared on the notice-board purporting to issue from the Australian Broken Hill Company, and it was of such a favourable nature that the price of the shares was nearly doubled before the discovery was made that the message was a forgery. Occasionally false notices appear on the board by error. A Great Central Railway dividend has within the past

two or three years been wrongly notified by a telegraph clerk's error, and a South Eastern Railway dividend has been wrongly notified by an error on the part of the officials of the railway themselves. Fortunately, however, such hoaxes, intentional or by error, are exceedingly rare. By the way, objection is sometimes raised to the fact that these dividend announcements are imparted to the Stock Exchange long before they are made to the stockholders themselves. In the case of an active security they sometimes cause much excitement and are anticipated with intense interest. When the notice is brought into the House the members crowd round the board upon which it is to be posted.

In 1886, soon after the great enlargement of the Stock Exchange by the opening of the New House, which matter will be dealt with in the next chapter, brokers were finally freed from the yoke of the City of London, whose ever-diminishing weight they had borne for centuries. On 29th September 1886, brokers' rents, as they were called, ceased to be collected, and the last remaining remnant of the ancient jurisdiction of the Court of Aldermen disappeared. For how many centuries the City of London had exercised practical or nominal control over the brokers within its precincts it is not easy to say. Serjeant Merewether, one City authority, described the jurisdiction as existing from time immemorial, and it can be traced back for five or six hundred years.

At least as early as in the time of the First Edward, when brokers were not stockbrokers, statutes were passed affecting the profession in this way, and soon after stockbrokers had established themselves they were brought within the fold. It was enacted in 13 Edward I. that "there shall be noa Brokers except those who are admitted and sworn before the Warden or Mayor and Aldermen." Then the fifth charter of Edward III. declared that no stranger should be a broker, and that brokers should take out their freedom of the City before being admitted. In 1 James I. c. 21, the custom of the City's jurisdiction over brokers was recognised by Parliament as having existed for divers hundred years.

The first special and important Act affecting stockbrokers, as distinct from mercantile brokers, in relation to the City authority was 8 & 9 William III. c. 32, entitled "An Act to restrain the numbers and ill practices of Brokers and Stock Jobbers." It prescribed the form of oath of admission to be taken, enacted heavy penalties against time bargains, limited the number of stockbrokers to one hundred, and provided that for the first year of his practice the broker should be licensed by the Lords of the Treasury. The operation of this Act was limited to three years, and renewed for seven years by 11 & 12 William III. c. 13, at the end of which period the control of the stock-broker was permanently delegated to the City, and to the City only, by 6 Anne, c. 16, entitled

“An Act for repealing 1 James I. c. 16, an Act for the well-garbling of spices, and for granting an equivalent to the City of London by admitting Brokers.” The measure of James I., granting the citizens the privilege of “garbling spices,” had brought the City considerable profit, and the repealing Act of Anne for the “well-garbling of spices” substituted for this considerable profit a rent of 40s. per annum payable to the City by every broker. Under this controlling yoke of the City the stock-broker before receiving his licence was required to produce certificates proving his competent skill; he had to engage not to demand more than the usual “brokage,” and to keep a prescribed Broker’s Book for production. In addition to providing two sureties in £250 each, the broker had to find surety even for the small rent payable to the City. He had further to enter into a personal bond in £1000 that he would, if required, declare the names of principals, and that he would not, directly or indirectly, deal for himself. He was required to take an oath to the effect of all this, in solemn form. By 57 George III. c. 60 the fee of 40s. payable on the admission of brokers was increased to £5, in compensation to the City for the abolition of the office of the Gauger of Liquors, and in this Act the amount of other penalties prescribed in the Act of Anne was augmented. It seemed a case all along of when in doubt mulct the broker; it was to him that the attention of the City was directed

whenever it was deprived of revenue by Parliament.

Down to the year 1818 one of the futile provisions in the entrance bond was that the brokers should not presume to meet or assemble in Exchange Alley ; and to act as a broker at all without the authority of the Court of Aldermen was to expose oneself to a penalty of £100. Several attempts were made from time to time to show that some of the legislation did not apply to stockbrokers but to mercantile brokers only ; even that stockbrokers were not under the jurisdiction of the Lord Mayor and Aldermen. In 1767 the question was submitted to the law courts in the case of *Jansen v. Greene*, but it was naturally decided against the stockbroker. Again, an attempt was made to assert the stockbrokers' freedom in 1833, but naturally without success. In each case it was decided of course that stockbrokers came within the Acts.

But the cry of the broker was still heard in the land ; his complaint was loud and grievous, and at last it led to inquiries and commissions, which, as is usual, had no immediate effect, although they proved that the jurisdiction of the City over stockbrokers was of no practical utility. Mr. Joseph Laurence, stockbroker, was sworn before a Commission of Inquiry on 9th December 1853, having been deputed by eight hundred members of the Stock Exchange to represent it. The ground of objection to

N^o 239

Johnson Mayor.



(*Duplicate*)

A Court of Mayor and Aldermen held in the Inner Chamber of the Guildhall of the City of *London*, on *Tuesday* the *twenty eighth* day of *July* — 1846. and in the *tenth* year of the reign of *VICTORIA*, of the United Kingdom of *Great Britain and Ireland* Queen, &c.

THIS DAY *John Ingham* Citizen and Spectaclemaker of *London* — — — — —

having entered into two Bonds or Obligations, the one in the penalty of One Thousand pounds for his honest and good behaviour in the office or employment of a Broker, and the other with security in the penalty of Fifty pounds conditioned for the yearly payment of Five pounds upon every Twenty-ninth day of *September*, and having provided further security in two persons approved of by this Court in the penalty of Two hundred and fifty pounds each for his honest and good behaviour in the said office, pursuant to an order made by this Court the 15th day of *September*, 1818, IS BY THIS COURT ADMITTED to be a Broker within this City and liberties, pursuant to the late Act of Parliament in that case made and provided, to have use and exercise the same during the pleasure of this Court and no longer; and the said *John Ingham* — — — — — was here sworn for the due execution thereof.

Mervethorpe

FACSIMILE OF THE OLD BROKER'S LICENCE.

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the City control which he outlined was that it had fallen into abeyance; that no appeals were ever made to the City Court; that it served no purpose but to raise revenue for the City; that so far as the Stock Exchange was concerned the brokers' admission fees and rents were a useless exaction; and that the City's control had been created merely to provide compensation for abolished offices.

In 1858 a Bill introduced into Parliament contained a clause to abolish the City jurisdiction; a private Bill was introduced with the same object in 1864, but was at once thrown out by the House of Lords; another Bill was introduced in the following year, but was defeated in the House of Commons. The other side was not content with remaining on the defensive. In 1867 the penalties for acting as a broker without the Aldermanic licence were enforced in the case *Scott v. North*. Two years later, in 1869, the penalties were again enforced in two cases, *Scott v. Cousins* and *Scott v. Inglis*, which derived special interest from the fact that the defendants were officers of a company formed to establish a rival Stock Exchange. It was called the Open Stock Exchange Company, Limited, and it carried on its business at 5 Lothbury.

At last, however, in 1870, the Brokers' Relief Act was passed, despite much opposition; by 33 & 34 Vict. c. 60 the jurisdiction of the Court of the Mayor and Aldermen was abolished. The personal bond in £1000 and

the bonds of two sureties in £250 each were no more; no longer had the sworn broker to be worthily recommended by six merchants of repute of the City of London; the supervision and control of the Lord Mayor and Aldermen were abrogated. But the brokers were not even then finally freed. They had still to be admitted by the City authority, and to act as a broker without such admission was to render oneself liable to penalty. The fees of forty shillings and three pounds payable to the City Chamberlain on admission, and thenceforth annually, were retained; the Broker's Rent of five pounds was still allowed to exist. In return the City, whilst exercising no jurisdiction, was required to keep and exhibit a list of the names and addresses of brokers.

For the next sixteen years this state of affairs remained. Any one could become a licensed broker by paying five pounds a year to the City; there was no guarantee whatever of his solvency or of his respectability unless, of course, he was a Member of the Stock Exchange. As we have seen, the anomalous position attracted the attention of the Royal Commission on the Stock Exchange in 1877-78, and eight years later it ceased to exist altogether. In 1884 the brokers intimated to the authorities of the City that they intended to obtain the introduction of a Bill for the total abolition of the Rent, and in face of this threat the City authorities, to whom the matter meant a loss of eight or ten thousand pounds a year, retired

from their untenable position with good grace. If the Rent were paid for another year or so, for convenience sake, the Bill should be unopposed. Thus it was that the second and final Brokers' Relief Act of 1884 passed without opposition and came into force on Wednesday, 29th September 1886. The Lord Mayor and Aldermen ceased to exercise even the perfunctory rights of the preceding sixteen years ; they ceased to receive the Brokers' Rent and they ceased to keep the list of the names and addresses of brokers ; no fees, no list. The brokers had at last finally and utterly shaken off that yoke of the City which they had borne for centuries.

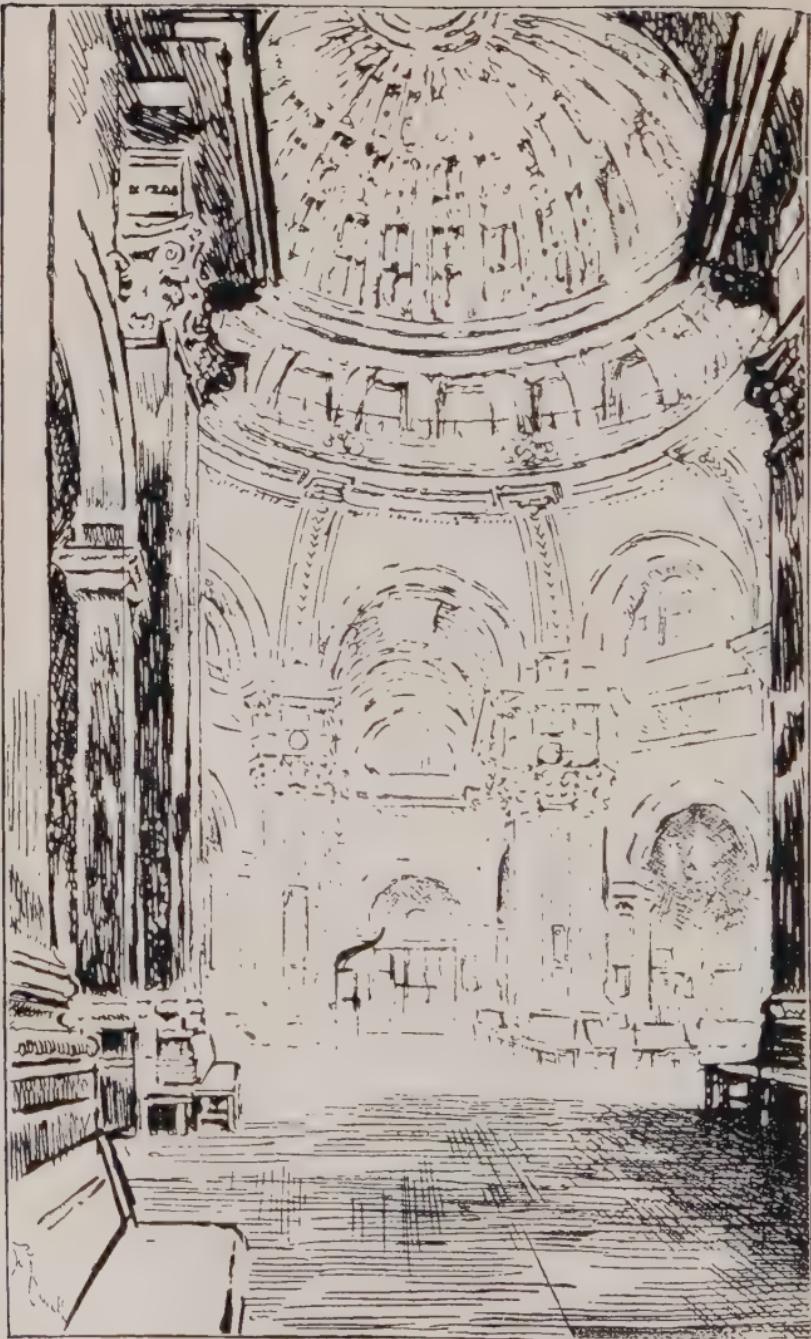
CHAPTER XVIII

THE NEW HOUSE AND THE BARING CRASH

Description of the New House opened in 1885—How members have worn the floor away—Subsequent extensions and improvements—Antediluvian discoveries: the first Bear—Clerks in the Settling Room—Stock Exchange art—The visit of the Prince of Wales—Official recognition of separate Mining Markets—A sanitation scare in 1889: fever in the House—Members and their cigars—Heat in the House—The Managers and the clock—Sartorial—Watner and Lady Hampton sensations—History of the house of Baring—The effects of its fall—An interchange of compliments between the Stock Exchange and the Bank of England in 1890.

TURN we now to the enlargement of the Stock Exchange—the important addition in the year 1885 of what has ever since been known as the New House. Since the Stock Exchange had been utterly pulled down, leaving scarcely one stone upon another, and entirely rebuilt soon after the middle of the century, there had been several extensions. But the great extension of the Stock exchange was that designed by Mr. J. J. Cole and opened on 9th January 1885. During the preceding five years important parcels of land in Throgmorton Street on the north side and in Old Broad

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From a pen-and-ink sketch by Joseph Pennell.

UNDER THE GREAT DOME.

Street on the south side, occupied by many houses, about fifteen in all, were acquired by the Managers. The New House was then erected, with its Foreign Market, its offices for Managers and Committee, its Settlement Department, its entrance in Throgmorton Street, its entrance and offices for tenants in Old Broad Street, and above all, in more senses than one, its great Dome.

A description of the New House as it is now is practically a description of what it was when it was opened for the first time. Its style is Italian, almost Roman, and the whole design is marked by a solidity and reality which forms a strong contrast to the plaster-work of the older building. The piers of the Dome are of solid Peterhead granite, many of the stones being more than three tons in weight. The Dome itself, covering the central octagonal area, is 70 ft. in diameter and 100 ft. high. The entrance lobbies and staircases are lined with marble, and the street fronts are constructed of Portland stone and granite. At the time of the addition the walls of the Old House were covered with Pavonazza marble to bring it into consonance with the New House, and the pillars were covered with Rosso and Giallo-Antico marble from the Roman quarries near Carthage. The peculiar veining of the new marble it was which immediately earned for the House the disrespectful title of Gorgonzola Hall! The floor of the New House, giving eight thousand feet of

additional area, was of oak two inches thick, but it is now of teak, the oak having been worn down in places to a thickness of only a quarter of an inch in the course of ten years. A Stock Exchange floor does not always last as long as this. An interesting calculation shows that the members' boots convert into powder, which is swept up as dust, some 150 cubic feet of oak or teak in every year!

Beneath the New House was the new Settling Room, a room which has been the subject of so much enlargement that, with the old one, it has now an area nearly the same as that of the Stock Exchange itself. Its floor is also of teak, and its walls are lined with oak panelling and glazed tiles. When the offices of the Committee adjoining the House were first built they were approached by a handsome staircase lined with Pavonazza and Devonshire marble, but the lower part of this staircase has gone to make way for further extensions. The Committee Room is about 40 feet long, 23 feet wide, and 17 feet high. It has plaster panels, filled in with an embossed paper of Italian design by Walter Crane. The Managers' Room is 23 feet by 17 feet, and was when built simply painted, but in 1897 the walls were lined with oak panelling. The floors above these offices are occupied by the Settlement Department, where the work of adjusting their accounts is carried on while members sleep. The top story was added in 1886 after the rest was finished, and being set back in front by an

agreement with the Drapers' Company, overhangs the walls at the back so as to afford sufficient space.

During the excavations for the New House a series of interesting antiquities were discovered under the piers of the Dome. Some 35 feet below the floor of the House the bones of monsters were found in a glacial drift dating from an age when, perchance, the first Bear visited the site. Skates of bone used by the apprentices in the seventeenth and eighteenth centuries were found; Roman coins of great interest were unearthed, as well as coins of Edward III., Charles I., and other English monarchs, not to mention Georgian pence. A series of Gothic arches, probably part of a monastery of the thirteenth century, was found in the wine vaults which stood where the Settling Room now is. The site is still Church property, the ground rent being paid to the Ecclesiastical Commissioners.

The east end of the Old Broad Street frontage, containing the cloak room, was finished in 1888, and the electric light installation of the Stock Exchange was transferred thither at the same time. This installation has worked successfully ever since. The current generated is stored in accumulators placed on the roof, and is used for the arc lights in the House, for working the electric lift, and for lighting the Settlement Department, the Settling Rooms, and the principal offices. Close by the electric light installation are the

boilers and engines used for warmth and ventilation.

The last important work of Mr. J. J. Cole, as architect of the Stock Exchange, was the extension of the Settling Room and of the House itself in 1889. In 1890 Mr. Cole resigned, and his son, Mr. R. Langton Cole, the present architect, was appointed. Mr. J. J. Cole lived seven years longer, dying in 1897 at the ripe age of eighty-two. During his long life he completed many buildings of interest, having been well known as an authority in all that relates to City architecture.

In 1893 the entrances to the House at New Court were carried farther towards the street, and again a considerable area was added to the Stock Exchange. The alteration involved some difficulties in dealing with the old walls and piers of the American Market, dating from 1854. In 1895-96 the house known as 22 Throgmorton Street was rebuilt, and the interior provided an addition to the Settlement Department, more offices and a new lavatory for members—in which connection it may be mentioned that the Stock Exchange consumes no less than fifteen million gallons of water and uses about a million towels annually; a million towels a year representing about 3500 a day. Just at the end of the century the laundry where they are washed was burned down and the Stock Exchange stock of towels was disastrously depleted. Managers besought members to be sparing in their use. Those in

the playful habit of cleaning their patent-leather boots with dry towels found their occupation gone, and grumbled that they were not allowed to deal with clean hands!

The extension of the Settling Room—often called the Checking Room because bargains are checked there every day—was rendered necessary by the enormous increase of business in 1894. This checking of bargains transacted by word of mouth or by nod of head the day before, is supposed to be accomplished before the business of the day begins. Every morning from half-past ten to half-past eleven the huge straggling room underneath the House is given up to the clerks of brokers and jobbers, true sons of the Stock Exchange. It may be imagined what the letting loose of some four or five hundred clerks, under no supervision or restraint, means. The noise is worse than anything ever heard on the floor of the House, and, of course, the clerks are every bit as fond of practical joking as their employers up above. Let a young gentleman have the temerity to enter with any peculiarity of dress and the room rises as one man. Rows of fellows stand on the desks and yell at the wearer, a crowd following his every movement with howls of “Take it off”; and for a quarter of an hour the victim has the liveliest time of it. But the play in the checking-room is valuable experience against the time when the budding clerk becomes a full-blown member and skylarks in the House.

On the afternoon of the settlement ticket-day, also, the Settling Room presents a scene for which animated is scarcely the word. Indeed, previous to the inclusion of active shares like Chartered and De Beers in the clearing arrangement, the Settling Room on ticket-day became pandemonium thrice confounded as the hour of three o'clock drew near. To pass the tickets that accumulated in piles on jobbers' tables before three o'clock, to save loss on selling-out, clerks flew about in the confined space until they assumed the aspect of perspiring demoniacs. Coats, waistcoats, ties, collars were thrown away in that fetid atmosphere; scuffles were common, injuries by no means unusual, as the streams of runners coursed in no particular direction. Some members used to come to the head of the stairs to watch the fun, as they called it, and one day several of the Committee were induced to descend at about a quarter to three. From that visit there sprang better things, though less exciting, for the clerks.

Even as the architecture of a nation is an index of its character, that of the Stock Exchange is intimately related to its history of never-ceasing growth. Structural extension has always been going on in all directions; it is going on now at its centenary and presumably always will be going on. The Managers have for years been at their wits' end to render available every corner upon which they can lay their hands, and recently they

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From a drawing by Joseph Smith

THE STOCK EXCHANGE FROM END TO END.

have gone beyond the confines of the House, reconstructing a building in Austin Friars to enable them to transfer certain official departments thither. Continuous progress and adaptation to the times has necessitated addition, alteration, and enlargement in the case of the Stock Exchange, so that the architectural result resembles in its variety some monument of the Middle Ages rather than a modern building. The shape of the Stock Exchange is shapeless. Opportunism in architecture has its inconveniences, but, as Mr. Pennell's illustrations demonstrate, the interior of the great building, now some 18,000 square feet in floor area, on a site, if we include the surrounding offices, of about 40,000 square feet, has gained in the picturesque, although it may have lost in unity and simplicity of plan.

Some of the recent alterations have affected an old closed door in Hercules Passage. There was an entrance there once, where a fruit-vendor used to stand with his small stall; his business has since developed into one of the largest fruiterers' in the City. But this old Hercules Passage door was closed by order of the Committee under somewhat peculiar circumstances on 5th December 1887. It is to be opened again. It was apparently this old iron door which was laid bare to the view of the members quite recently in connection with the ever-proceeding extension. It was promptly whitewashed, and as promptly became a new plaything for idle members. One labelled the

mysterious entrance "The Whited Sepulchre," another called it "The Bear Cage," a third pencilled his opinion that it was the cash-box of a certain wealthy jobber. Another sketched a small collecting-box bearing the affecting inscription, "Pity the poor jobbers out of work." Another suggested that lessons in safe-cracking should be given on the spot, members to bring their own jemmies. A piece of cuff-paper pinned to the closed door bore the gloomy legend, "This way to the dungeons. Admission 3d." Members love a white wall, to turn black with pencilled caricatures of their fellows and personal allusions. However, their artistic achievements will soon have a recognised outlet, for as recently as this year, just at the time of the centenary, a Stock Exchange Art Society has been established. Its object is to bring together those members of the Stock Exchange who are interested in art, including photography, and the Society will hold exhibitions of its work.

Many labour under the impression that the opening ceremony of the New House in 1885 was formally performed by the King himself; an impression based on the fact that His Majesty, then of course Prince of Wales, visited the Stock Exchange and inspected the important extension and improvement. At first it was attempted to arrange for an *incognito* visit, according to the expressed wishes of the Prince himself. He had never seen the Stock Exchange, and would be interested

to view the building on a working-day, without any prearranged reception. But this was found to be impossible. Suppose, it was suggested in horror, some playful members should treat the Prince as the Stock Exchange usually treats, or rather maltreats, the stranger within its gates! Accordingly the visit was announced, and on the day His Royal Highness was expected, 2nd March 1885, two long white lines of chalk travelled like railway lines from Capel Court to what is now the Jungle Market. Instructions were issued that nobody was to trespass on the course, and through a long avenue of enthusiastically cheering members the Prince was led to a dais at the end of the lines. Then there was the organised singing of the National Anthem and "God Bless the Prince of Wales," and more loyal spontaneous cheering followed. The Prince took his departure by the Capel Court door, and on the afternoon of the same day there was exhibited on the notice-board this telegram, of which the terms are rather remarkable:

MARLBOROUGH HOUSE, PALL MALL, S.W.,
2nd March 1885.

DEAR SIR—I am desired by the Prince of Wales to convey, through you, to the members of the Stock Exchange the expression of his very cordial thanks for the loyal and hearty welcome they gave him this morning. The welcome which His Royal Highness met with has never been surpassed, and I am directed to assure you that he derived the highest gratification from his most interesting visit.—I beg to remain, etc.,

Signed, FRANCIS KNOLLYS.

The Chairman, etc., Stock Exchange.

Twelve years later, in 1897, the Duke of York paid a flying visit to the Stock Exchange and was escorted round the markets by several members of the Committee.

A society paper offered a prize of a dozen of champagne to the handsomest member of the Stock Exchange in 1886, the delicate point to be decided by the votes of the members themselves, who, strange to say, appear to have entered into the spirit of the thing. The competition was open for five or six weeks, and during that time no fewer than 23,730 votes were recorded, members of course obtaining the privilege of one vote for every copy of the paper they bought. To Mr. H. Maas, with 1364 votes, was awarded the palm of beauty—and the case of champagne. As evidence of the high level of personal beauty in the House at that time it may be mentioned that no fewer than ninety-one members received votes, although forty of these received only one each. However suggestive of individual vanity the one vote each may appear, the figures are authentic. Are they not recorded in *House Scraps*? This work, written and compiled in 1887, was "entered at Gorgonzola Hall, and published by Mr. G. Duckworth Atkin at the Stock Exchange." Its two hundred pages contained anecdotes, quips, and cranks applying to the House collected from all sources, and illustrated by drawings from the facile pencils of George Cruikshank, F. Carruthers Gould, Lucien Davis, and others. It was issued for

private circulation only, in aid of the Stock Exchange Clerks' Provident Fund, and its subscription list was limited to two hundred subscribers. It is now very scarce, naturally.

Despite the addition of the New House, the area of the Stock Exchange was not considered sufficient by some of the members. Much dealing in mining shares had been previously transacted in the Royal Exchange, long after the time, of course, when the Royal Exchange was the Stock Exchange; and as late as 1887 one of the members, Mr. Marks, seriously suggested that mining brokers should meet there. His suggestion met with a good deal of academic support, but never blossomed into anything very practical. The formation of an outside Mining Exchange naturally found more favour in the eyes of those who were not members of the Stock Exchange. What was known as the Mining Exchange was formed in the spring of 1889, starting with a membership of about eighty. It came to nothing. We do not hear much of any independent Mining Exchange nowadays, the facilities for transactions afforded in the Stock Exchange itself, with its four recognised Mining Markets, being admirable. On 7th July 1897 the Committee issued a reminder that three markets—the Miscellaneous, the South African, and the Western Australian—existed, and jobbers were informed that if they dealt in only one they were not entitled to employ authorised clerks in either of the other two. This dictum was

strictly in accordance with the rules, whose enactment is that no authorised clerk shall transact business as a dealer in any securities other than those in which his employer deals. But the jobbers grumbled ; the rule had been much more honoured in the breach than in the observance. At the beginning of this year the West African Mining Market was given official status beside the other three ; the members had dubbed it the Jungle Market some two or three months before.

The addition of the New House was at first attended with somewhat comfortless results. During the winter of 1885 the building was inadequately heated, owing to the abolition of open fires and experiments in pumping warm air into the House. Many members wore their overcoats all day, partly for warmth and partly for protest. Much illness was attributed to the inadequate heating arrangements, and the cry of the broker and jobber was heard in the land. Then three or four years afterwards the sanitation of the Stock Exchange became the subject of suspicion. This was specially the case when in 1889 a light epidemic of enteric fever swept over London. Evil odours seemed prevalent, to the alarm of members. When many of their number were taken ill they broke out in open revolt, demanding that the Managers should at once turn their attention to the matter, and setting at naught the rule of the Committee against smoking. Smoking was prohibited before four o'clock, but the

members lit their weeds quite an hour sooner, and boldly declared their intention of smoking whenever they pleased until the House was rid of its typhoid-engendering smells.

This subject of House smoking has intermittently proved a vexed one. In the olden days the enjoyment of the fragrant weed was permitted all day long, but subsequently the indulgence was forbidden until after three o'clock, and later four o'clock was fixed as the limit. There has always been a tendency towards degeneracy in the matter of the rule, and in 1896 members had trenched so upon the close time that there appeared to be a danger of smoking in the Stock Exchange having to be prohibited altogether. Although infringement of the rule was then checked, the Committee found it necessary, in May 1898, to make a fresh attempt to stop smoking before four o'clock on ordinary days and half-past one on Saturdays. It announced that the names of the worst offenders were in its possession, but it trusted that an appeal to the better feelings of these gentlemen would render attempt at punishment unnecessary. None but members were allowed to smoke in the House, clerks were reminded by the notice.

Even without their demonstration of smoke, the representations of the members as to the signs of insanitation would doubtless have commanded the attention of the Trustees and Managers in 1889. They at once deemed it their duty to institute a most minute and

searching examination into every detail of the sanitary arrangements of the House, and they arranged for an independent investigation by the Medical Officer of Health and Public Analyst for the City of London. Subsequently, in December 1889, they were able to report the result of the investigation. It was found that the drainage and sanitary arrangements of the Stock Exchange were in excellent order, and that there was no escape of sewer gas or of poisonous atmosphere into the building. All air pumped into the House, the Managers explained, was carefully washed. They pointed out that they had called the attention of the City authorities some months previously to certain openings into the sewers of the City in the streets contiguous to the building. Some of these openings had already been closed, and the Commissioners of Sewers had promised that others should be closed shortly. None of these openings were in proximity to the area from which the air was pumped into the building. The Managers expressed their extreme anxiety that every complaint should be minutely investigated, and they assured the members that, after careful and anxious consideration, they were convinced that the cases of fever that had unfortunately occurred were in no way due to causes specially affecting the premises of the Stock Exchange, but were rather to be attributed to the general prevalence of the epidemic in London.

Nowadays there is probably no building in

London where sanitary provisions receive more careful attention than in the Stock Exchange, with the result that complaints are never heard. There are often complaints, however, of the intense heat which prevails, not only in the summer time, in spite of all the elaborate system that has been instituted to counteract it. It is not so very unusual for a member to drop in a dead faint from this cause. Down in the deep levels of the House a large engine drives two enormous fans which revolve at a high velocity, and by this means air is driven through ice and cold water sprays, and conveyed to the markets above. Even as cold air is supplied in the summer so is warmed air in the winter. In the markets the air is distributed by electric fans from a score of shafts suggestive of grandfathers' clocks. When one member brought a clock face and fitted it to one of these shafts, the illusion was perfect, especially as the members in the vicinity saw that it was kept up to time. One of the Managers noticing the innovation, although inwardly fretting that his fellow-Managers had introduced it without his knowledge, kept up appearances by pretending that he had known all about the installation of the new electric clock. Thus encouraged, the practical jokers found occasion to introduce the new clock to Manager after Manager, and each, with one or two exceptions, pretended he had participated in the ingenious addition to the convenience of the House! By the way, there is a Stock

Exchange superstition that when one of the four House clocks—the real clocks—stops, a slump will occur in the market over which it is placed. As usual in such cases, a great deal of most convincing evidence can be adduced in support of the superstition.

When heat in the House is reinforced by heat outside, the concatenation of circumstances revolutionises the strict sartorial habits of the Stock Exchange, straw hats and panamas being openly worn, although the glossy silk only is acknowledged as proper headgear. Even the waiters nowadays are clothed in summer habit when necessity requires, light jackets taking the place of the long heavy coats of their uniform. But, apart from the heat, many old members bemoan the fact that the sartorial traditions of the House are suffering decadence. Five-and-twenty years ago, say they, a member would no more have thought of introducing a bowler hat into the House than of introducing a bear—a four-legged one. But now things are changed, and in spite of the keen sense of the unusual which is often roughly expressed by their fellows, members sometimes appear in light-coloured; even flannel, suits. But, as a general rule, the headgear of comfort is still rigorously laid aside in business hours for the headgear of silk. Many members surmount the difficulty by wearing no headgear at all either in the Stock Exchange or in the streets surrounding it.

In 1889 was floated the Warner Company,

out of which arose what was generally called the Warner Rig. The debenture and preference shares issued in November of that year remained steadily at a discount, whilst the thirty-five thousand ordinary shares rose to phenomenal heights. It was alleged that most of the shareholders—about five hundred in number—were mere dummies, and that the shares were really in the hands of the promoters. At the statutory meeting of the Company held on 11th March 1890, the Chairman stated that the shares had been applied for five times over, and that applicants in the trade—the patent medicine trade, for the Company supplied the world with Warner's Safe Cure—had been granted, as far as possible, allotments in full, leaving about one-fifth of the issue for the general public. A dividend at the rate of fifteen per cent per annum was declared at the meeting thus early in the Company's career. At the settlement, on 1st April, the price of the shares made up at $10\frac{1}{2}$ premium and a backwardation rate was charged, showing that they were scarce. Fifteen days later the price had risen to 30 premium, by 19th April it was at 35 premium, and two days later it was at 50 premium. Dealings naturally ceased and litigation ensued. The case was tried in 1891, but the Courts refused to relieve dealers of their bargains, and found that the charge of conspiracy was not sustained. Whilst interest in the matter was almost at its height, a member, Mr. William Morris, colloquially known as

“Wicked William,” died very suddenly, it is said of a broken heart, in connection with this affair. His loss was heavy, but it seems that he left a very large fortune.

A few years later occurred a somewhat similar case, known as the Lady Hampton Rig. The company was floated in 1896. The capital was a quarter of a million sterling, and the amount offered for subscription was £150,000; but although letters of regret as well as letters of allotment were issued, it appeared that shares to the amount of only £35,000 were allotted, and nearly the whole of these to one gentleman and his friends. The shares were run up to an enormous premium, and several well-known brokers were induced to deal. A special settlement was granted by the Committee of the Stock Exchange, but it was postponed until the end of the year. When the time arrived the Buying-in Broker refused to bid more than £4 each for the shares, and the matter was left in suspense. Bitter charges had been flying about the House and throughout financial circles, especially against the allottee, and for some of these charges a well-known firm of members humbly apologised in the month of November. Early in the following year—1897—they brought an action for conspiracy, but this action was subsequently withdrawn. But another firm of House members brought an action for libel against the allottee for stating that they could not meet their differences, and obtained a verdict for £8000 damages, which was sub-

sequently reduced by arrangement to £5000. When the action by the former Stock Exchange firm was withdrawn they obtained 2350 shares, of which they were short, at one pound premium ; another member, who had previously settled differences, received £4000 in return ; and yet another involved firm was repaid £1000, the allottee cancelling the other bargains at two pounds a share. Thus was the matter, attended with so much sensation, settled.

The end of the penultimate decade of the century was blackened by the Baring crisis—the fall of the great house whose name had been closely connected with the financial world and held in high esteem for more than a hundred years. In 1793, whilst the Stock Exchange was yet in its Sweeting's Alley home, a baronetcy was granted to Sir Francis Baring, and his name was prominent in financial circles in connection with his directorship of the East India Company. It is said that four years later, during the issue of the Loyalty Loan in 1797, the great house made £100,000 on each of three consecutive days. Again, it was playfully remarked of Sir Francis nine years later that he was extending his land purchases so largely in Hampshire that he would soon be enclosing the county with his own park paling. He had retired from business by that time and died shortly afterwards. In 1819 the Duc de Richelieu had said : “There are six Great Powers in Europe—England, France, Russia, Austria, Prussia, and Baring Brothers.” In the

middle of the century, when John Francis published his work, he described the house as still retaining the power and position bequeathed to it by Sir Francis Baring, and as an instance of the fortune and capacity of its members, he stated that the late Lord Ashburton, when Alexander Baring, had realised £170,000 in two years by his combinations in French Rentes. Throughout the latter half of the century the house waxed even stronger in prosperity and power, and investors followed its name blindly into the quicksands of Argentine finance, upon which it was subsequently wrecked.

Quite suddenly, on the morning of Saturday, 15th November 1890, the news was conveyed to the public that the firm had fallen; but it was merely conveyed incidentally in an announcement that steps had been taken to save the situation. Before the crisis was known it was over. The Bank of England had raised its rate to six per cent on the Friday, not the Thursday, in the previous week; its coffers had been replenished with the gold of France and of Russia, obtained by exceptional measures, and it had come forward with startling promptitude to the rescue, backed by the joint-stock banks of the country and by the assurance of support from the Government itself. Although the liabilities of the firm at the time of the crash were twenty-one millions sterling, it was recognised from the first that the assets exceeded that amount. The Bank of England, guaranteed by the other banks of

the country, undertook to make advances sufficient to pay the Baring debts as they matured, and this was done, as it ultimately transpired, without loss to any one.

The effects of the Baring collapse were felt for many a year; it was the most disastrous event in the history of the financial world since the Overend Gurney crisis a quarter of a century before, and we have suffered nothing like it since. Yet there was at no time panic. On the Stock Exchange Consols fell to $93\frac{3}{4}$, a price which they have only once touched since; several of the Argentine securities fell twelve or thirteen points within four or five days, and there were many failures in the House. Yet some recovery had set in within a week from the crash, and members were soon making light of the matter. In the possession of one of them to-day is a slip of that grayish-blue Stock Exchange paper upon which is scribbled: "The Baring Straits are between Gracechurch Street and Norton Folgate. Rothschilds have taken a draught of Guinness (referring to the flotation of the great brewery company), and have got Over-Baring." Talking of that grayish-blue paper, it was soon after this, in 1892, that the Committee stopped its supply; not so much, perhaps, because the members used it for flippant jokes and sketches, as because they used it to preserve their shirt-cuffs. But this economy of the Committee was ruined by ridicule, and the supply was soon restored.

The Stock Exchange naturally attributed

its salvation from a Baring panic to the Bank of England, and it took early opportunity of formally expressing its gratitude. Just recently stockbrokers have fallen rather foul of the Bank on a minor matter, because in the case of *Oliver v. Bank of England* it has been shown that brokers, and not the Bank, have to bear loss arising from a transfer of the funds on a forged power of attorney. A touching appeal on the subject was made by a leading stockbroker to the Governor of the Bank at its meeting in March 1901, and this appeal was quite ineffective. But after the Baring crisis the Stock Exchange and the Bank of England, like righteousness and peace, kissed each other. On Tuesday, 30th December 1890, a deputation from the House, headed by Mr. Hall Rokeby Price, the chairman, attended to present this address :—

COMMITTEE ROOM, THE STOCK EXCHANGE,
LONDON, E.C.,
30th December 1890.

SIR—On behalf of the members of the Stock Exchange, the Committee, as their representatives, desire to express their high appreciation of the admirable and effective manner in which the recent monetary crisis was met by yourself as Governor of the Bank of England, ably supported as you were by your Co-directors.

Being from their position necessarily well acquainted with the unexampled character of this crisis, the Committee are fully able to estimate the magnitude of the disaster which at one time threatened to disorganise, if not to overwhelm, the vast financial and commercial interests of this and other countries, and they are convinced that it was almost entirely owing to the masterly ability with which the measures of yourself and the Court of Directors were carried out in the

negotiations in this country and abroad, and more especially to the firm and decisive manner in which your great influence, as Governor, was so wisely and courageously exercised that a panic of unparalleled dimensions was averted.

Holding these views, Sir, the Committee beg unanimously to offer you and your Co-directors the very best thanks of the community they represent.

H. ROKEBY PRICE, *Chairman.*

S. UNDERHILL, *Deputy-Chairman.*

FRANCIS LEVIEN, *Secretary.*

WILLIAM LIDDERDALE, ESQ.,
Governor, Bank of England.

The Governor having accepted the address said he was sure his colleagues would appreciate as highly as did he the honour the Stock Exchange had done the Bank of England, and would value the favourable opinion of their action which had been expressed, an opinion the more to be appreciated as coming from a body peculiarly well able to judge of the magnitude of the crisis. "So far as the members of the Stock Exchange have referred to my personal exertions," Mr. Lidderdale said in concluding his speech, "I shall always remember with pride and satisfaction that, in the opinion of such a body as yours, in a moment of danger I was able to do my duty."

CHAPTER XIX

A COMMITTEE OF REFORM AND MANY OFFICIAL CHANGES

Proposed rival Stock Exchange—Forged transfers—Judgments as to making a market in 1892—A political procession through the City—The Police and the Stock Exchange; the struggle for Throgmorton Street—Members before the Magistrates—A matchless token of regard—The Jameson Raid on the House—Some distinguished visitors—The Kitchener reception—Tricking Stock Exchange members—The difference between speculation and gambling—Lady speculators—Discontent with the Committee; a sweeping election in 1896—Some of the works of the Committee of Reform—Establishment of a buying-in and selling-out department—New Stock Exchange secretary—New Official Assignee and alteration in system—A member's resignation—Jobber as dealer and dealer as jobber—The case of Sir Henry Burdett.

JUST after the Baring collapse, in that time of idle stagnation which always follows financial crises, some malcontents, dissatisfied with the arrangements of the House, actually found time to indulge in a good deal of talk about the possibility of establishing a rival Stock Exchange. It was to be in the neighbourhood of Leadenhall Street, and its characteristic was

to be practically unrestricted admission on very easy terms. Like many a similar one the scheme came to nothing.

The first important matter to engage the attention of members of the Stock Exchange in the last decade of the nineteenth century was the matter of forged transfers. On Thursday, 20th February 1891, a meeting of members was held in the Library for the consideration of the Barton forgeries and of the Pitt-Lewis Bill, to provide compensation to innocent purchasers of stock in cases where the transfers had been forged. The case of Barton and the London and North-Western Railway the year before had shown the injustice of the law as it existed. The purchaser of the stock fraudulently transferred by means of a forgery was compelled not only to hand over the stock after having enjoyed its possession for many years, but was also compelled to refund the dividends he had received. The meeting lasted two days. Owing to a strange and unfortunate misunderstanding, Mr. Edward Rae, who was not only the chairman of the Liverpool Stock Exchange, but also of the Associated Provincial Exchanges, was denied admission to the meeting on the first day, as were other gentlemen representing provincial stock exchanges. But explanations and apologies were gracefully tendered and accepted, and on the second day Mr. Rae took a leading part at the meeting, explaining what the provincial stock exchanges had done. Eventually, on the motion of a member, who

pointed out that the Committee of the Stock Exchange had had the matter under its consideration for some time, and had passed a resolution of which they all approved, a committee was appointed to promote the passage through Parliament of Mr. Pitt-Lewis's Bill for the amendment of the law.

In the following year more judgments were delivered dealing with a question intimately affecting members of the Stock Exchange and their clients—the vexed question of making a market, which had always troubled, and still troubles, the House. In the course of a judgment delivered on 7th May 1892, Mr. Justice Wright declared: "If persons for their own purposes of speculation create an artificial price in the market by transactions which are not real, but are made at a nominal premium merely for the purpose of inducing the public to take shares, they are guilty of as gross a fraud as has ever been committed, and of a fraud that can be criminally brought home to them." Then on 1st August 1892, Lord Justice Lopes delivered judgment in the case of *Scott v. Brown and others*. The case arose out of a dispute as to money passing between the plaintiff and one of the defendants, with which a number of shares in a projected company were to be purchased on the Stock Exchange at a premium, the object being to induce the public to believe that there was a real market for the shares and that they were at a real premium. Lord Justice Lindley said

that he was quite aware that what the plaintiff had done was very commonly done—was done every day—but that was immaterial; and Lord Justice Lopes said that, putting it shortly, there had been an agreement to cheat the public. He was of opinion that such a transaction was illegal and might be made the subject of an indictment for conspiracy. In the Marzetti case, some years before, Sir George Jessel, Master of the Rolls, had said: “I do not know the technical term for the thing, but it is to raise the value, or the apparent value, of the shares on the Stock Exchange by buying up the few that are issued, at a premium, so as to induce the public to come in. Both in law and morality it is a conspiracy to defraud the public and nothing else.”

In 1893 there occurred the collapse of the Australian banks, almost every day during the terrible period bringing its tale of the downfall of an institution. Consols, however, fluctuated only between $99\frac{5}{8}$ and 97, and the House can hardly be said to have been directly affected, even although the failures were almost concurrent with a minor financial crisis in the United States. The series of disasters forms an episode in the history of finance rather than in the history of the Stock Exchange. To tell the truth, the members were quite as much interested in their political demonstration of that year. A decade and a half before they had demonstrated in public in support of the anti-Russian policy of the Government, and,

ever Conservative, they now demonstrated in public against Home Rule; just as six years later they were to demonstrate in public against the Boers. The official handbills summoned a grand Anti-Home Rule Meeting to be held at the Guildhall on Wednesday, 3rd May. The Consol, Trunk, and Great Eastern Markets were asked to meet in Capel Court, the American and Brighton Markets in Shorter's Court, and all other markets in Drapers' Gardens, the hour of such meeting being 1.15 P.M. Members were instructed to form fours and march at 1.30 punctually to the Guildhall. All this they did, and more. At one o'clock the National Anthem was sung with pathos and solemnity, and then the procession was formed. It was led by three members who bore huge standards, the Hon. Harry Bourke, one of them, carrying the Irish flag. There were other standards, and nearly all the processionists wore miniature Union Jacks in their button-holes. Mr. Charlie Clarke, the wag of the House, brought up the rear waving a flag and singing vociferously "Rule, Britannia." Snatches of other songs were fitfully sung as the procession marched determinedly along to save the Empire from disruption. Before two o'clock the Guildhall was packed, and before three, at which time the meeting commenced, the adjoining thoroughfares were densely crowded with people unable to obtain admission. The Lord Mayor was in the chair, and resolutions were enthusiastically

PUBLIC
WANDSWORTE
DURCH



From a drawing by Dudley Hardy.

A SCENE IN THE STREET.

passed condemning the Home Rule Bill. The principal speaker was Mr. Chamberlain, but Mr. Rokeby Price, Chairman of the Stock Exchange, also addressed the meeting.

It was in the year 1895 that the members of the Stock Exchange came into conflict with the City Police in the Battle of Throgmorton Street. Every evening after the Stock Exchange is closed a crowd of members, outsiders, newspaper-vendors and policemen may be found in the street, the members representing what remains of Stock Exchange business after business hours. Some of them used to sneak back to the floor of the House under the pretence of lodging securities in the strong-room of its vaults, until the little game was stopped by rendering entrance to the Stock Exchange proper, and entrance to its strong-room distinct. Even in dull times, evening after evening, in fair weather or foul, some members gather in the hope of snatching a turn before retiring from a wearying day of idleness in the Stock Exchange itself. Dealers in Americans always gather, mainly in Shorter's Court, because, owing to the difference in London and New York time, the Wall Street market is barely open before ours is closed. In busy times the crowd in Throgmorton Street after hours becomes quite dense. "What are they doing?" asked a lady as she passed through the street one evening with her husband. "Each other," was the reply.

For a long time members of the Stock

Exchange and their hangers-on had been allowed the practical monopoly of the street after hours, but on the evening of Tuesday, 19th March 1895, it was evident that their assumed right was to be contested. There were many more police about than usual ; there was a good deal of experimental hustling ; much unnecessary request to move on ; in fact, information had evidently been received, and a test case was obviously desired. Mr. Macbrair was the first martyr member. He was arrested for obstruction, and because unfortunately he struggled he was ignominiously led off by three members of the force. The crowd of colleagues stood for a moment aghast ; then there was an outburst of derisive howling and cries of "Take his name." But the police evidently preferred his person. A bold attempt at rescue was made, which resulted in three more arrests, so that the edifying spectacle was presented of members of the Stock Exchange being accompanied through the streets of London to the station by the police, a crowd of their colleagues following, swollen at every step by idlers attracted by the strange sight. "Are there any witnesses ?" asked the inspector on the charge being preferred. "The whole crowd says they're witnesses," was the constable's reply. Bail was of course allowed, and on their return to the precincts of the Stock Exchange the four martyr members were received with loud cheers.

The next day they appeared at the Guildhall

before Alderman Faudel-Phillips, and at the opening of the case the scene was one of such excitement and there were so many interruptions that a clearance of the court was threatened. The defendants admitted a technical obstruction, but one of them was charged not only with obstruction but also with assaulting the police. Certain foolish allegations of intoxication made against one of the defendants by the police formed the only seriously regrettable feature of the incident, and these allegations utterly broke down. The Alderman said it was quite clear to him that the police were perfectly right in endeavouring to keep Throgmorton Street clear. It was admitted that for some years past it had been permitted to the members of the Stock Exchange to create a crowd in the thoroughfare, but the police had now decided to put a stop to this, and had given some notice to that effect. For obstructing the police one defendant would be fined £10 and another £5. Mr. Macbrair had acted injudiciously, but in view of the fact that he had been conveyed to the police station the case would be dismissed, as also would that against the other defendant. Such action as theirs, however, if repeated by others, would have disagreeable consequences.

On the evening of this decision, 20th March 1895, the scene in Throgmorton Street was truly remarkable. It was crowded from end to end with a dense mass of people, expecting further fun, and the windows were filled with

sightseers. The mob was not disappointed, although there were no actual arrests. The constabulary was fully represented and exceedingly active. As one member put it, "I want to pass along, but there are so many policemen in the way that I can't." The utmost good-humour prevailed, the constables confining their attention to the task of keeping a constant succession of vehicles, mainly empty cabs, passing and repassing through the street. Mr. H. K. Paxton, a widely-known and popular jobber, chartered one of these cabs, and as at regular intervals it passed along the street he was loudly cheered, bowing first to the right and then to the left. No royal progress could have been attended with more wild enthusiasm, and the efforts of the police to turn the cab back were fruitless.

But the next day Mr. Paxton was arrested. During the progress of another procession of vehicles, obviously organised by the police, he shouted, "Who pays for these cabs?" and then refused to obey the usual request to move on. He was charged before Alderman Bell on the 22nd, being accommodated with a seat close to his solicitor. As in the previous case, many members of the Stock Exchange were called as witnesses. In giving his decision the Alderman pointed out that Throgmorton Street was not for the convenience of stockbrokers alone, but for the convenience of traffic generally. He hoped his remarks would have the effect of making members of the Stock Exchange

realise that the street was not their property. He would not discuss the advisability of keeping the Stock Exchange open until a later hour, but suggested that if there were any difficulty in transacting business, he had no doubt that if the proper representations were made the members of the Stock Exchange might be allowed to adjourn to another place, and in this connection he incidentally mentioned the Royal Exchange. Although the Alderman remarked that any interference with the police would have to be dealt with very severely in future, he dismissed the present case. It ended very amicably, Mr. C. F. Gill, who appeared for the defendant, remarking that they all knew that the City police did their duty admirably, and the Alderman remarking that they all knew the exuberance of the gentlemen of the Stock Exchange.

Mr. Paxton was greeted with loud cheering on his return to the House with his freedom, and the Committee posted notices suggesting that street dealings should be discontinued, so as to avert the danger of a recurrence of the recent unseemly incidents. Diplomatic relations were established with the police, who in an unofficial capacity are ever ready to acknowledge the generosity of the Stock Exchange. One officer, stationed in the street best known, is quite a popular character. Members call him Half-past Six not only because of his uprightness of character and mien, but because the number he bears on his collar is 630. But the question

broke out again in an individual case in 1899, yet another member being charged with disorderly conduct on 29th June, having been marched to the station between a couple of stalwart constables, with four others following as a rearguard. Mr. Alderman Bell dismissed the case on this occasion, but asked why members of the Stock Exchange who took heavy fees did not provide a place of sufficient size wherein they could transact their business. The question of the street, indeed, seems likely to break out intermittently; representations are frequently made to the police-office in Old Jewry that traffic should be diverted into Old Broad Street when Throgmorton Street is crowded, but these representations are ineffective. It is told of Mr. Paxton, who frequently refers jocularly to his experiences at the police court, that quite recently he playfully pushed his huge form against a policeman, saying, "Out of the way, I'm bigger than you." "Yes, sir," was the constable's respectful, ready reply, "I know you are. I saw you measured, you know, sir!"

At the time of these rude scenes in the vicinity of the Stock Exchange in 1895, a pretty little one was enacted within its portals. On Lady Day Mr. Boulter, a clerk in the employment of Mr. Lobb, had completed fifty years of service on the floor of the House. A group of members representing the Consol and Colonial market, amidst some little ceremony and speech-making, presented the veteran with



From a drawing by Joseph Pennell.

EXTERIOR OF THE STOCK EXCHANGE IN THROGMORTON STREET.

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a silver match-box in recognition of the event. On being opened the match-box was found to contain a hundred-pound note! Members of the Stock Exchange have always been fond of these graceful little presentations, emblematic of good-fellowship and mutual respect. Thus in December 1896, a testimonial was presented to Mr. George White in commemoration of his long service in the House. He had served for fifty years in the Share and Loan Department. Sometimes the occasion of these tokens of esteem has been less happy. A stained-glass window has recently been placed in Horwood Church in North Devon, the birthplace of Mr. Joshua Downing, a much-respected member. The tablet below records that the subscription for the window was made by one hundred and forty of his fellow-members of the Stock Exchange, who deeply lamented his sad death in the wreck of a Channel steamer, the *Stella*, in April 1899. Amongst the most remarkable tokens of popularity and sympathy with which a member has been complimented was the petition circulated and signed in the Westralian market amongst the creditors of a dealer who had recently failed, praying for the restoration of his membership, which of course had been forfeited. The sympathy shown partly arose from the fact that the failure had been caused by the collapse in the price of Bottomley shares, a collapse which led to several failures and some sensation in the Stock Exchange at the time.

In the closing days of 1895 the Stock Exchange was startled by the news that Dr. Jameson had raided the Transvaal with a band of Rhodesian troopers and had been utterly routed. There is ample evidence that some of the leading firms knew of the impending movement, but the general effect was little the less severe because of that. The country was already in political trouble with the United States, a quarrel over the Venezuelan question assuming a very threatening aspect. When matters were at the worst an interchange of banter, by cable, between the Stock Exchange and Wall Street made the world laugh. Fortunately the American trouble was peacefully surmounted, but the effect of the Jameson Raid lasted long. It was the Kaffir Circus, of course, which most felt the shock on the Stock Exchange, some of the leading shares suffering sudden falls which ranged in extent from ten to twenty-five per cent. The raid was professedly undertaken for the protection of the Uitlanders in Johannesburg, the mining community which had long complained with much bitterness of the treatment they were receiving at the hands of the Boer Government. The matter unhappily developed into the Transvaal War, which, so far as it affects the history of the Stock Exchange, is dealt with in a later chapter.

Two months after the raid of 1895 a couple of the troopers who took part in it were allowed the privilege of walking through the House

unmolested, although the Committee afterwards took a stern view of the matter, pouring out the vials of its wrath upon the members responsible for their presence. "There has been a Jameson Raid on the Stock Exchange," said a witty description written at the time. "It appears that two of his troopers were massed on the frontier of the House, and by beckonings received a frantic invitation to come to rescue it from the tyranny of the Committee. An attempt at invasion through the door of the Foreign Department was frustrated, a strong force of waiters having been commandeered by the Committee. The gallant little force of troopers was repulsed, apparently with heavy loss, seeing that when they appeared at another door their slouch hats had gone and they wore bowlers. The swift strategic *détour* was successful, and under the guidance, it is said, of Mr. Arthur Nickalls, the troopers were led through the markets. Naturally no one dared to raise the cry of 'Fourteen hundred,' or if they did it was drowned in the cheers of the younger members of the House. Nevertheless such a raid cannot be encouraged with impunity, and its instigators appear to have been already tried and sentenced—one, it is said, to a week's suspension." About a year later, however—in May 1897—several more members of the Rhodesian Horse, headed by the Hon. Maurice Gifford, marched through the sacred halls; and in the previous September the Earl of Rosebery had walked quietly through the markets, pass-

ing almost unrecognised. The next military visitor to the Stock Exchange was Lord Kitchener of Khartoum. With the laurels of his Soudan victory fresh upon his brow, Lord Kitchener had been to the Mansion House on 1st December 1898, to plead the cause of his Gordon College, whence he came direct to the House on the same mission. He was received with an immense ovation. An attempt was made to sing "See the Conquering Hero Comes," but the musical effort was drowned in the tumultuous cheering. "I have not come here for nothing, gentlemen," said the Sirdar, when he reached a convenient point near a Broad Street door on his way round the House with a guard of honour formed by Managers and Committee-men and a mass of enthusiastic humanity; "I want £100,000, and I expect to get it." The House, it need scarcely be said, was not slow to supplement its enthusiasm with hard cash. Considerably more than a thousand pounds was subscribed practically on the spot, and certain firms were appointed to organise the receipt of subscriptions.

An experience of the Stock Exchange with a military gentleman (self-styled) a year or two previously had been of a less satisfactory nature. He indulged in a trick which is often tried on the Stock Exchange, against which members have constantly to be on their guard. Thirty or forty brokers received a letter in the following or similar terms:

131 JERMYN STREET, S.W.

DEAR SIR—After dinner at the Guards' Mess the other evening your name was mentioned as being a good broker to do one's business. Please, therefore, sell for me 1500 Henry Nourse, to be delivered this account. I am going to Scotland to-morrow, but please send contract note here.
—Sincerely yours, G. BELLAIRS, *Captain (Retd.)*.

13th October 1896.

All the orders were to sell mining shares, and taking all the letters together sales involving more than 80,000 shares were placed. The trick was discovered in plenty of time by reason of the active demand for the *Army List* in the writing-room on the morning of the arrival of the thirty or forty letters. Sometimes, though not very often, such tricks are not discovered until too late, and a client manages to obtain credit collectively in speculation so extensive that it would not be entertained for a moment by any individual broker. If the speculation is successful the client takes his profit through the brokers and goes on until such time as there is a heavy loss, when he disappears.

A mild sensation was caused at the beginning of 1900 by the appearance in the Stock Exchange of this notice on one of the boards:

Any brokers having had transactions with Lady Elizabeth Bertie, of 97 Queen's Gate (Queen's Gate Hotel), or May Emily Manby, otherwise Mrs. Gardiner, of the same address, will please communicate with Messrs. Derenberg and Co., 9 Drapers' Gardens, E.C.

The allegation partially admitted was that these ladies had indulged in speculation through

several brokers without possessing separate estates from which to pay the heavy losses they incurred. Mr. Manby described it as gross carelessness for the brokers to have entered into transactions with the ladies without making inquiry as to their means. However this may be, the case provided another argument for the establishment of a Black List wherein the names of clients who had failed to pay differences to one broker might be seen by another broker with whom they desired to open a fresh account.

Another lady's case, of intense interest to the Stock Exchange, occurred at the same time. A firm of brokers sued a married lady for nearly £3000 lost in speculation, and the lady pleaded the Gaming Act in defence. In his summing up Mr. Justice Bigham drew a clear distinction between Stock Exchange speculation and gambling. He said that the case was as plain as a pikestaff. The defendant was introduced to the plaintiffs, and she desired to speculate on the Stock Exchange. Speculating and gambling were two different things. The defendant instructed the plaintiffs, her brokers, to enter into transactions for her. She did not transact any business with the plaintiffs, but they entered into transactions for her which had turned out disastrous, and they had had to pay the money to the people with whom they had made the contracts for the defendant. The defendant now said they were gambling transactions. In his opinion there was not the

ghost of any evidence that they were gambling transactions. For that plea to succeed both sides to the contract must gamble, and clearly there was no evidence that the persons with whom the contracts were made had gambled. There was but one verdict, in his opinion, in this case, and the action ought never to have been resisted. The defendant had speculated and lost. If she had won she would have taken her money. Although the defendant was a woman, if she chose to enter into these transactions she ought to pay just as the other side would have had to pay. Ladies quite frequently figure in affairs financial; indeed one firm of outside brokers is, or was, not nominally but actually controlled by a lady, the firm being Lady Cook and Co.

At the annual election of the Stock Exchange Committee on 20th March 1896, there was much canvassing and excitement, rather an exceptional state of affairs in House elections. For many years members had grumbled at what they deemed the archaic methods of their Committee, but until this election their grumbling had been seldom supplemented by anything more practical. In the year 1895-6, however, matters had come to a head, and discontent was freely expressed especially with the mining settlement arrangements, the inefficiency of the Clearing House arousing grave complaint—the activity of the big Kaffir boom had presented a task with which the Settlement Department had been unable to

cope. Accordingly when election time came eleven new candidates presented themselves, and as the thirty existing members all stood for re-election there were forty-one candidates for the thirty seats. The only formal qualification for membership of the Committee is five years' previous membership of the House, and all members are entitled to vote at the election of the Committee. Out of the eleven new candidates nine banded themselves together in support of a definite programme, which a manifesto somewhat inexplicitly described as "(1) The Reform of the existing system of Buying-in and Selling-out; (2) The legal defence of test cases by the Committee for General Purposes; and (3) The improvement of the Settlement Department." The opposition to the old members was keen, and when the day came the poll was the heaviest ever recorded. Instead of handing in their ballot papers by mere hundreds, as was usually the case, no fewer than 2588 members voted out of a possible 3600. The result of the heavy poll was to work havoc with the old Committee, for although the first nineteen places were retained by re-elected members, seven out of the thirty were defeated, the seven consisting mainly of gentlemen who had obviously got out of touch with the times. They were replaced of course by reformers, the two new candidates who had held aloof from the programme of reform being at the bottom of the poll. When the drastic result became known

there was some revulsion of feeling in the House. The voters seemed to deplore the effect of their votes. Elections since have been comparatively peaceful, except in the case of what may be called the centenary election of 1901. In 1898 and 1899, for instance, the number of candidates did not exceed the number of vacancies. In March 1900 one member retired voluntarily and there were three new candidates, so that there were thirty-two candidates for the thirty seats. Or, as one German member put it, "De seats are dirty and de candidates dey are dirty-two."

The latest Committee election, in March 1901, was hard fought. One member retired voluntarily, but there were five new candidates, making thirty-four for the thirty seats, and four of these new candidates were returned, although, as is usual with new candidates, pretty near the bottom of the list as regards the number of votes. The total number of voters was 2418, but there were 47 spoiled papers—even in Stock Exchange Committee elections votes are thus thrown away. The constitution of the Stock Exchange Committee is often criticised. It has been suggested recently that the governing body should be divided into two chambers, like our Parliament; the lower one, to consist of a few practical men, in permanent session, to be paid for their services.

Shortly after the Committee revolution of 1895, the regard in which Mr. James Nairne Scott was held by his fellow-members was

evinced in a testimonial. About six hundred members subscribed more than six hundred pounds. Mr. Scott demanded that of this sum £500 should be handed over to the Benevolent Fund. This was accordingly done, and the balance was expended upon four pieces of silver plate, that each of Mr. Scott's sons might hand down an heirloom, and in the illumination of a handsome complimentary address.

A very similar presentation followed in May 1897, when his fellow-members paid a fitting tribute to the long service and great personal popularity of Mr. Hall Rokeby Price, who had recently resigned the Chairmanship of the Committee for General Purposes, Mr. Hichens succeeding. Mr. Price had been Chairman for seven years, Vice-Chairman during the preceding six years, and a member of the Committee for thirty-two years. As in the case of Mr. Scott, the subscriptions being limited to a guinea, more than six hundred pounds, was subscribed. Mr. Rokeby Price desired that the amount should go to the Benevolent Fund, but he succumbed to the representations that a personal tribute was intended and desired by the subscribers; and the presentation took the form of plate and jewels.

Six or seven months after the reorganisation of the Committee in March 1896—about the time when Consols, after two or three years of a two per cent Bank rate, reached $113\frac{7}{8}$, the highest price ever recorded, although it was touched again in the following year—an amend-

ment of the Stock Exchange rule as to buying-in and selling-out was announced, one of the points of reform upon which the election was fought. Ten days after every settlement the buyer of shares which have not been delivered has the right of ordering his broker to have them bought in at public auction in the Stock Exchange; similarly the seller of shares who cannot get his bargain completed may have them sold out, he who fails in his contract having to bear the loss. In connection with the reform a notice was posted to the effect that buying-in or selling-out would henceforth have to be effected publicly by the officials of a Buying-in and Selling-out Department appointed by the Committee for General Purposes, who would trace the transaction to the responsible party and claim the difference. Up to that time buying-in and selling-out had been in the hands of Mr. Secretary Levien and Mr. Wetenhall, who had drawn the commissions as a recognised part of their income. The reform was generally admitted to be a most desirable one, and it was evident that the new blood was coursing in the veins of the Committee.

Soon afterwards the Secretaryship of the Committee for General Purposes became vacant, Mr. Francis Levien, who had for so long ably held the important post, resigning. It was stipulated that candidates should be between thirty and fifty years of age, and no fewer than thirty applicants presented themselves for the

post, which carried with it an emolument of £1500 a year. The number was in due course whittled down to three, and on 3rd December 1896 Mr. Edward Satterthwaite, the present secretary, was appointed.

Then in February 1897 the Committee of Reform, whose first year had not quite expired, decided to increase the remuneration of the Official Assignee. The scale had been standing at 5 per cent on amounts of assets collected up to £1000, $2\frac{1}{2}$ per cent on amounts between £1000 and £5000, and $1\frac{1}{2}$ per cent on amounts of £5000 and over. The scale was altered to 5 per cent on all amounts up to £5000, the rate of remuneration on amounts above that sum remaining at $1\frac{1}{2}$ per cent as before. Unhappily Mr. Ernest C. Grant, the official assignee, did not live long to enjoy his increased emolument. Although when he died, in March 1898, he had not reached his fifty-second birthday, he had served his important Department for nineteen years. The salary for his successor was increased to a thousand per annum, the minimum previously having been £750, besides of course the percentage of assets to which reference has just been made. Objection has frequently been raised in the House to this system of commission payment, and just at this time, on 18th March 1898, Mr. S. P. Adams publicly announced that he had that day resigned his membership of the Stock Exchange because of an injustice he considered he had suffered at the hands of

the Official Assignee and of the Committee in the matter of a default two and a half years before. "As I have been unable to obtain justice," he said, "I cease to be a member," and his last words were urged against the system of paying the Official Assignee by commission.

In the Committee's invitation for applications for the post rendered vacant by the death of Mr. Grant it was provided that candidates must be members of not less than five years' standing, and as in the case of the Secretary, between thirty and fifty years of age. Two securities of £500 each were required from the official appointed, who would not be allowed to carry on any private business. Twenty-seven candidates presented themselves, from amongst whom by a process of selection the new Official Assignee was eventually found in the person of Mr. Harry Leo Sydney Richardson, who has ably filled the post since. The considerable legal knowledge possessed by Mr. Richardson was an important recommendation of his candidature.

Although the reorganised Committee had dealt with a strong hand in the matter of buying-in and selling-out and in the reform of the office of Official Assignee, it seemed chary of coping with another question of perhaps even wider importance which arose about the same time. One of the rules lays it down that neither members nor their authorised clerks are allowed to act in the double capacity of brokers

and dealers. As a matter of fact the subject, as well as the question as to whether the dealer or jobber ought not to be abolished altogether, had been under discussion intermittently for years, and has been since; but in February 1897 it became crucial, on the complaint of a jobber as to a broker having made prices in the Kaffir Market. A test case was raised for the Committee, and during the deliberation which ensued, a wordy warfare raged in which many members of each party joined. The brokers carried the war into the enemy's camp by pointing out that the jobbers had adopted the practice of transacting brokers' business, especially in freely accepting commission orders from provincial stockbrokers. As a matter of fact, the rule had been sinking more and more into disregard year after year, and many entitled to speak declared for its abolition altogether. The decision of the Committee was not very decisive. It informed the jobber that his complaint was being considered and that the broker would be advised in the meantime to discontinue his practice of making prices; and as a matter of fact the broker did receive a mild caution.

Yet another vacancy occurred at this time in the official circle of the Stock Exchange, arising from a resignation of which the unpleasant attendant circumstances caused more sensation in the House than all the other vacancies put together. Early in November 1897 it leaked out that Sir Henry Charles Burdett had

tendered his resignation of the Secretaryship of the Share and Loan Department after seventeen years' service. It was difficult to say whether his labours of organisation commanded more admiration in the world of finance or in the world of hospital charity. He was knighted whilst in the service of the Stock Exchange. He was only just over fifty years of age when he resigned, although he had performed seventeen years' service. Upon his resignation being accepted the Trustees and Managers of the Stock Exchange conveyed their cordial good wishes to Sir Henry Burdett, enclosing a cheque for a thousand guineas, with which they suggested he should buy himself a service of plate. Sir Henry thereupon raised the question as to what his pension would be; to which question the Managers replied that the circumstances under which the retirement had taken place did not justify a pension, and that they were sure the members of the Stock Exchange would be opposed to any such grant. Sir Henry rejoined that he had added £3800 a year to the resources of the Managers by the reorganisation of the Stamp Department—in which reorganisation he had sacrificed a pension of £800 a year—and also a capital sum of £30,000 in the copyright of *Burdett's Official Intelligence*, the great work of financial reference. He moreover pleaded that he had resigned merely to live a little longer with his family, and that he had saved comparatively nothing. The Managers had carefully considered the question

and could not reopen it. Thereupon Sir Henry Burdett sent back the thousand-guinea cheque, and directed his appeal to the members of the Stock Exchange themselves. It met with little response; the members evidently shared the view of the Managers; there seemed to be a feeling that considering the heavy amount of outside work Sir Henry had transacted whilst holding his Secretaryship of the Share and Loan Department, and the very profitable positions he accepted immediately on his retirement, as chairman of certain great companies, no pension was justified.

Because of the resignation of Sir Henry Burdett, the Stock Exchange was of course confronted, at the beginning of 1898, with the difficult task of appointing his successor to the Secretaryship of the Share and Loan Department. The office was considerably modified. Sir Henry Burdett had received £4500 a year, but this included commutation of profits from stamps and from the *Official Intelligence*. The new salary was to be £1500 a year, candidates had to be between the ages of thirty and forty-five, and amongst the stipulations laid down was actually one that the new official should be in his office each morning by half-past ten o'clock. There was no very great rush for the important position; eventually to every one's satisfaction it fell to Mr. James Alexander Torrens-Johnson. Mr. Torrens-Johnson, the new Secretary of the Share and Loan Department, had been one of the first favourites for

the post of Secretary to the Committee for General Purposes. The Department over which he presides has so grown, that whereas in 1880 it occupied a couple of rooms at No. 2 Shorter's Court, it subsequently occupied the best part of three considerable floors adjoining Throgmorton Street. And now, at the time of the centenary, space has had to be found for it outside the Stock Exchange building altogether, in Austin Friars, the institution growing so much more rapidly than the fabric.

CHAPTER XX

LITERATURE, SPORT, AND DISCIPLINE OF THE HOUSE.

Official publications—*The Stock Exchange Official Intelligence* and its history—When the Stock Exchange commenced the collection of company statistics—How securities have increased—Unofficial Stock Exchange literature—House publications by members and others—Peculiarities of members' names—The House and sport—Many champion members—Unorthodox athletic feats—Some sporting visitors—“Fourteen Hundred”—Some suicides and mysterious deaths—The Stock Exchange on the Stage—Hammering—Points of discipline—Speculating for employees.

IN the year following Sir Henry Burdett's resignation—that is, in its issue for 1899—*Burdett's Official Intelligence* appeared for the first time as *The Stock Exchange Official Intelligence*, and it is refreshing to turn from the incident recorded towards the end of the last chapter to glance at the history of this monument of research and statistical perfection—this encyclopædia of Stock Exchange securities. It was established in 1881, but it had a precursor in the *Railway Intelligence*, which appeared annually and was edited by

Mr. Mihil Slaughter, the predecessor of Sir Henry Burdett. A review written in 1865 said that the work "edited annually by Mr. M. Slaughter, Secretary to the Railway Department of the Stock Exchange, furnishes a complete history of almost every foreign as well as British railway known, and it is justly considered as the leading authority on these subjects." The contents of this work were incorporated in *Burdett's Official Intelligence* when it first appeared in 1882. This was the manner of its birth, as Sir Henry himself has told it. Previous to 1881 it had not been the practice to make any systematic attempt to preserve prospectuses, nor to get the reports of the various financial undertakings which were issued from year to year. Since 1881 the original prospectuses and the reports and other documents affecting securities have been carefully collected, classified, and preserved. The Records and Statistical Branch of the Share and Loan Department of the Stock Exchange may be regarded at the present time as containing the most complete set of official papers affecting securities extant. Owing to the kindness of members of the Stock Exchange who have retired from business from time to time, it has been possible to make a collection of reports, prospectuses, and other papers affecting securities issued previous to 1881. The Records Branch contains, for instance, a few original railway prospectuses of 1845 and some miscellaneous prospectuses issued during

the period from 1824 to 1871. There is a fuller collection of prospectuses for intermediate years up to 1880, and from that date onwards there is a complete set of prospectuses for each year, the bulk of which has enormously grown since the present system was started. So far as the reports of individual undertakings are concerned, the Records Branch contains an almost complete set of these documents, bound in volumes, for every year from 1881. When this Records Branch was instituted it was determined to make a selection of the information it contained, and to publish this selection in a book so as to supply in a useful form a summary or amplified index to the fuller information preserved in the Department. This summary was issued in the form of a book, and that book was *Burdett's Official Intelligence*. Early in the history of the great work, in 1883, an attempt was made to supply maps of the leading railways of the world, but it was discontinued after the following year owing to the difficulty of showing satisfactorily the systems of railways in each country on a map confined to the space which could be spared for the purpose. In 1884 an attempt was made to publish the work once every two years instead of annually, the idea being to issue a supplement in the intervening year. The experiment, however, showed the course to be impracticable, and the annual publication was resumed after only one year had been missed. In 1891, owing mainly to the difficulty experienced by

investors of selecting securities for trustee investment, and to a request which was made to the editor by the High Court, an important addition was made to the book. In the British Railway section the name of each company, the stocks of which were available for investment by trustees, was distinctly indicated. It was subsequently found impossible, however, to continue the indication. In 1895 the particulars as to company liquidations, ever accumulating, had increased to such an extent that it became necessary to discontinue the practice of including them under each section, and to bring them together in an alphabetical list. Throughout the history of the great work, or, at all events since 1884, when that endeavour was made to publish an intermediate supplement, original chapters have year by year been added to the mass of statistical information, dealing exhaustively with various subjects affecting groups of securities which were of interest at the moment, or likely to prove of permanent value.

The rapid growth of the work in connection with the publication, equivalent to the growth in the scope of Stock Exchange dealing itself, may be indicated by a few striking figures. When it was established in 1881 the aggregate amount of the securities with which it dealt—that is, of the securities quoted on the Stock Exchange—was £3,586,000,000; by the time Sir Henry Burdett retired, this aggregate amount had increased by £1,825,000,000 to £5,411,000,000, and this in spite of the fact that securities to

the amount of £1,840,000,000 had disappeared. Or, to look at the matter in another and more direct light, it may be stated that during Sir Henry Burdett's editorship—that is, between 1882 and 1898—the number of pages and the number of securities dealt with were each multiplied by about three. In the 1882 volume the particulars as to commercial, financial, industrial, land and investment companies—577 in number—were given in two sections comprising 132 pages; by 1898 the same classes of companies—3032 in number—had to be treated of in four sections, occupying no fewer than 904 pages. In 1882 mining companies to the number of 285 were dealt with, the particulars occupying sixty pages; in the 1898 volume there were 1186 companies, occupying 294 pages.

At the time of the centenary the work under the editorship of Mr. Torrens-Johnson has just been drastically rearranged to reduce its great bulk. In the ordinary course of things the issue for 1901 would have contained 104 more pages than the issue for 1900, but because of the rearrangement it contains 722 pages less—2018 pages in all—weighing less than eleven pounds in 1901 against fourteen pounds in 1900. The form of the work is a return to that under which it appeared when Mr. Mihil Slaughter was in control. In keeping the work up to date over sixty questions are asked in the form sent out annually to the secretary of every known company. The heavy

labour of collecting the information begins about October and ends about February of each year.

A sign of the increasing scope of Stock Exchange business was the enlargement, from the beginning of 1899, of another of the Committee's publications, the *Official List*, of which the history has been traced in previous chapters. There was not only enlargement but drastic alteration in form. The list is often subjected to criticism. One complaint is that its quotations are so wide as to be misleading ; that, for instance, the price of a security may be given as 69 for sellers and 70 for buyers, whereas in practice a seller could obtain $69\frac{1}{4}$ and a buyer would have to pay only $69\frac{3}{4}$. Again, complaint is often made that quotation is given to only a few of the large number of mining shares in which dealings take place, and it is suggested that if it is inexpedient to include them in the List itself a supplementary list should be issued. Further, complaint is made that when business is done in a security the bargain is so seldom marked in the wide margin set aside for the purpose. But whatever the complaints, the List was considerably improved from the beginning of 1899 ; its name being altered at the same time from *The London Daily Stock and Share List* to *The Stock Exchange Daily Official List*. The size of the pages was somewhat reduced, to $17\frac{1}{2}$ by $14\frac{1}{2}$ inches, but their number was increased from eight to twelve. There are two editions

of the List daily—the first containing the quotations at 1 o'clock and the second at 3 o'clock. Single copies of the List cost six-pence, but only a penny each is charged for extra copies.

Another publication issued by the Committee of the Stock Exchange is the *Weekly Official Intelligence*, which records the highest and lowest prices touched by officially-quoted stocks during the week, besides much other information imparted by companies to the Stock Exchange, such as dividend announcements and so on. The publication, for which the charge is one shilling, conveys week by week the kind of information condensed into the great annual volume, *The Stock Exchange Official Intelligence*. The annual and the serial were established at the same time. There is another publication of the Stock Exchange which is little known, the *Course of the Exchange, etc., or The Stock Exchange Bi-Weekly Official List*. It is issued to subscribers at two pounds per annum, consisting merely of a single sheet giving the quotations at which business is done in comparatively few securities, together with exchange rates and other information. It is a link with the past.

Thus the House has its important official literature, but it has its unofficial literature as well. At various intervals throughout the life of the Stock Exchange there has arisen a member who has bestowed all his ingenuity in playing upon the names of his fellows in the

House, and it must be admitted that very frequently the membership list has provided most excellent material. Thus in 1877 there was produced by Mr. John Rolls a little paper-covered pamphlet called *The Stock Exchange Analysed*, bearing the motto, "What's in a Name?" It showed that the extent of the House was considerable, containing as it did Holland, Washington, Sutherland, Kent, Lancaster, Durham, Hastings, and so on, besides one Towne and yet only two Miles. There were fifteen Scotts, seven Moores, one Fleming, and one Dain in the House, and yet it had only one Tennant. It was wealthy, although it possessed only one Lack and two Marks, still it had a Ballance. It embraced nine Prices for two Stocks and one Bond. And so on through fifteen pages. The little booklet was sold for a shilling in aid of the Benevolent Fund, and it attained more than one edition. Another form of play upon members' names arose when titular conundrums were all the rage. Thus: What made Robert Simpson Sadd? To see Charles Thomas Grabham. Why did Bernard Grieve? Because he was in Pain. By the way, the peculiarity of members' names has been known sometimes to lead to misunderstanding. Thus quite recently a broker approached a jobber with the question as to who was the market in Crown Reefs. "I am," was the reply of the jobber expecting the business. The broker turned and arranged his transaction with Mr. Higham standing

near, and matters had to be explained afterwards between the offended jobber and the misled broker.

A work which differed widely from the little pamphlet of Mr. John Rolls was produced at the beginning of 1881. It was a monthly periodical called *Look Ye There!*—a portfolio of caricatures of members admirably executed by Mr. F. Carruthers Gould, published at two shillings a copy, for circulation in the Stock Exchange only. Mr. Gould has at other times delighted members not only with his pencil but also with his witty pen, amongst his most popular works being *Ye Sittee Desert* and the *Dream of the Stock Exchange*. Another booklet, *The Stock Exchange Don't*, appeared amidst the flood of House literature towards the end of 1898, with many a negative maxim much relished by the members. Most of these works were sold for sweet charity's sake. Sometimes members issue useful statistics for the benefit, not only of dealers in the market, but of the Benevolent Fund. Such, for instance, are the charts of British Railway dividends recently compiled by Mr. H. C. Pulley. Another book which appeared at the end of 1898 was *All Round the House*. The prospectus stated that it would be an album consisting of about thirty illustrations by members, of members illustrious in that field of sport with which others had particularly identified them—this being a sly allusion to the prospectus of the greater work, *The House on Sport*. Then *All Round the*

House was to be printed, not necessarily on hand-made paper, but on the assurance of a good sale. With all its portraiture it was of course to be an edition de looks. Orders for the work were to be dealt with in priority, should there be any, or more than one. It was eventually given away to subscribers to the Stock Exchange Clerks' Provident Fund and the Jersey Home for Working Lads; it was a most clever and admirable production. Yet another work which appeared about the same time was the *Catalogue of the Best Hundred Books, by Members of the Kaffir Market*, published in aid of the Jersey Home for Working Boys. The catalogue included such supposititious works as *The Fatherland, and Why I left It*, by Julius Krailsheimer; *The Heavenly Twins; or, Which is Which?* by Messrs. Hawes Bros.; *The Choir that Failed*, by Charlie Clarke.

About the same time appeared *From Veld and Street*, a sixty-page book of verse by Mr. M. E. Greville; the veld of course was intimately connected with the South African market, and the street was Throgmorton Street. Mr. Greville had written a series of Stock Exchange ditties, set to music by Mr. Frederic Norton, and published by Alfred Hays—*The Broker's Lullaby*, and so on. At Christmas 1900 appeared *Stock Exchange Sayings in Black and White*, in which terms used in the House were cleverly parodied in picture by Mr. Dudley Hardy and Mr. J. J. Proctor on the

suggestions of Mr. W. Eden Hooper; thus "a rush to sell" was represented by a hawker selling rushes; "everything off" by a bather behind a rock; and so on. Even the official publications of the Stock Exchange seemed infected by the literary fever about this time, for to the directory of members annually issued to show their private addresses, City addresses, partnerships, and bankers, was added a column in 1899 showing the date when they first entered the House. A suggestion was even seriously considered by some that a weekly paper should be issued for Stock Exchange members, edited and written by a Stock Exchange staff; but the suggestion was not carried out. The most imposing work ever issued in connection with the Stock Exchange appeared at Easter 1900. Compiled by Mr. W. Eden Hooper, and published through Messrs. Spottiswoode & Co., it was called *The Stock Exchange in the Year 1900; a Souvenir*. In their portly brass-clasped splendour the three hundred copies of the edition de luxe resembled a family Bible, and a charge of ten guineas was made for each; but the ordinary edition of a thousand copies was tastefully arrayed in vellum. The work was an album of superbly-executed portraits of Managers, Committee, and many other members of the Stock Exchange, together with a history of the House, from which this *Story of the Stock Exchange* is adapted. This history was illustrated by Mr. Dudley Hardy and Mr.

Joseph Pennell, who was courteously allowed by the Managers to enter the House to make his architectural sketches. At no other time has such permission—although the interior has been once photographed since—ever been granted, the Stock Exchange being most conservative and exclusive in this as in many other respects.

To this end-of-the-century Stock Exchange souvenir an article was contributed on Stock Exchange sport by Mr. W. A. Morgan, editor of *The House on Sport*, another unofficial Stock Exchange publication, and in many ways the most remarkable and interesting of them all. Handsomely produced and most profusely illustrated, it dealt with more than thirty branches of sport in its five hundred pages, and although it was written by members of the Stock Exchange, more than fifty in number, it was a book for sportsmen by sportsmen. What better authorities could have been found, even if search had been made beyond the confines of the House, than, say, Mr. Guy Nickalls on sculling, Mr. Gregor MacGregor on cricket, Mr. B. J. Angle on boxing, and Mr. G. Lacy Hillier on cycling? It is certain that in no country but our own could such a collection of articles have been written by such a collection of keen business men. Moreover, the work was produced in six weeks. It was almost worth its guinea as a collection of autograph facsimiles, and the profits, about £1000, went to the *Referee* Children's Dinner Fund. It might have been thought that such a volume would

have exhausted all that members of the Stock Exchange had to say on the subject of sport. But not so. In the following year appeared a second volume compiled in the same way with the same objects, and containing articles on lion, elephant, and rhinoceros shooting, on big-horn hunting in the Canadian Rockies, and on wild-sheep hunting on the borders of the Sahara—all by members of the Stock Exchange.

As Mr. Morgan said in his souvenir article, to give a full account of the past and present members of the Stock Exchange who have distinguished themselves in the athletic world, would practically be to write a treatise on sport, for there is scarcely a branch with which some member has not been closely identified, or in which he has not shone as an ornament. The Stock Exchange undoubtedly possesses the distinction of being the most athletic body of business men in the whole world.

As to the national game, it may be said safely that at almost any time during the past quarter of a century an eleven could have been selected from the House strong enough to have given an excellent account of itself against a good eleven of the M.C.C. It is rather strange that there is no Stock Exchange cricket club—although the staff of the House has one. Messrs. A. E. Stoddart, K. J. Key, G. MacGregor, A. P. Lucas, Ivo Bligh, Burnup, Stanley Christopherson, S. W. Scott, Hadow, Leveson-Gower, and many other leaders of the cricket world are, or were, all connected with

the Stock Exchange. It is no uncommon thing to find during a season that two or three counties are captained from the House. When the West Indian team of cricketers lately visited England, it was led by a member of the Stock Exchange, Mr. R. S. Lucas. During the last Australian visit the House sent Mr. Weigall from the South African market to aid Kent by his nerve in the unwonted feat of defeating the Colonials. So delighted were his fellow-members with the magnificent stand he made on that occasion, that they presented him with a cup in commemoration of his triumph.

As to football, Mr. W. E. Maclagan, who captained Scotland for many years, represented the Stock Exchange, and Messrs. G. Jeffrey, Aubrey Spurling, Don Wauchope, G. C. Hubbard, and J. H. Hedderwick are all international players. In cycling the name of Mr. George Lacy Hillier has a combined literary and athletic reputation, and he is a member of the House, as are also the Bramsons. The House has always been represented by champion oarsmen from the time of Mr. Frank Playford, who was secretary of the Benevolent Fund, and Mr. Meredith Brown, who stroked the Oxford crew to victory in 1865 and 1866, down to the brothers Vivian and Guy Nickalls. Mr. S. H. Muttlebury, the world-famous coach, is a member of the House. Twenty-five years ago a Stock Exchange crew met the London Rowing Club in a match on the Thames ; it was alleged that all the House men were Germans !

Many members are owners of racehorses, and a trophy falls to the Stock Exchange by no means infrequently; in 1897 Mr. George Bulteel's *Manifesto* won the Grand National. Many more, including Mr. A. J. Schwabe, the renowned, ride to hounds. The Stock Exchange holds coursing meetings of its own. About a dozen members are well known on the cinder path both as runners and walkers, from Mr. Walter Slade and the two Chinnerys downwards. In tennis Mr. Bailey Akroyd won the silver racket in 1896, and Mr. H. F. Lawford is a lawn-tennis champion. Swimming was championed by Mr. H. C. Schlotel in each of the three years ended 1887. Mr. H. E. Vandervell, who has been a member for fifty-three years, is the father of figure-skating, his books being the great authority on the sport. Mr. S. Mure Fergusson, the golfer, is also a member of the Stock Exchange. In hockey ten members have distinguished themselves by playing for England, and there is an annual match between the Stock Exchange and the Rest of the South. Mr. Francis L. Govett won the archery championship in 1891. The brothers Vernon and Harold Barker are perhaps amongst the best pigeon-shots in the country. Of the noble art of self-defence the House has many an exponent. It need only be mentioned that the renowned Mr. B. J. Angle, the referee, is a member.

On occasion members have indulged in unorthodox feats of sport which have attracted

the attention of the whole country. For instance, on Saturday, 21st March 1891, Mr. E. H. Cuthbertson started from Hatchett's Hotel at 7.33 in the morning and reached the Old Ship Hotel at Brighton in 10 hrs. 6 mins. 18 secs., the distance being 54 miles. He stopped not once on the journey, and succeeded in beating the previous Stock Exchange record set by Mr. Chinnery when he accomplished the walk in 11 $\frac{1}{4}$ hours. But the most popular feature of the march lay in the fact that as far as Croydon it was a match with Mr. H. K. Paxton, who weighed nineteen stones. He was granted a time allowance of twenty-three minutes, and arrived at Croydon with seventy-eight seconds to spare. The scene on the public course was one of the utmost enthusiasm and amusement, especially at the winning-post, when Mr. Paxton came puffing victoriously in. In the Stock Exchange itself some of those members who were prevented from witnessing the match consoled themselves meantime with displaying a shirt alleged to be Mr. Paxton's, which they labelled, "All that will be Left of Him." Within a very short period of this sporting event there was another—two members indulging in a spirited race against time, for a wager. The Stock Exchange itself formed both starting-point and winning-post, and the course included the top of the Monument!

Again, a few months before his recent death, Mr. Douglas MacRae, of the *Financial Times*, was made the passive subject of a wager by his

host that Mr. George Howard, the stockbroker, could not carry him pick-a-back throughout the whole length of Throgmorton Street in twenty-five seconds. The event was fixed for the early morning, and the parties assembled, but it did not come off, Mr. Howard stating apparently that Mr MacRae's clothes were not included in the bargain ; and of course these could not come off either. However, Mr. Jack Joel, the loser, paid forfeit that evening in the shape of the best dinner the Carlton Hotel could serve for twenty-five people.

An annual event in connection with Stock Exchange sport is the Point-to-Point Race Meeting. In 1898 the regulations stated : "Horses to be ridden in hunting costume by members of the Stock Exchange or clerks in the Stock Exchange. Coloured scarfs to be worn, which will be provided." Mr. Harry Case, with his facile pencil, illustrated the regulation in a manner brutally literal. The little picture, copies of which were sold for the benefit of the race fund, realising more than twenty pounds, represented the horse fully accoutred in breeches, top-boots, and hat, mounted by the member with the coloured scarf round his waist, and no other apparel !

It has frequently happened that members of the Stock Exchange have organised cricket matches amongst themselves. They have been known to play an improvised game in the House when business is dull, but a field is more convenient. According to a witty description

in one of the financial papers of a recent match between a firm of jobbers and a firm of brokers, there was great activity and a sharp slump in wickets. The teams were entirely drawn from the two firms, but they had two real umpires to check the bargains, one of whom said he had never seen anything like it in first-class cricket. Some of the bowling had quite a jobber's turn in it ; some had a stiff rate on it, and some of the balls were short with a heavy backwardation from the off. As to the batting, in a few cases the handling of the willow was in the nature of a safe holding rather than a speculation, but there was a good deal of operating for the rise. Still some of the batsmen swamped the run market, and one innings of the brokers was declared, the sudden fixing of the special settlement disorganising the jobbers.

The doors of the Stock Exchange have generally been open hospitably to visitors who were distinguished men of muscle. When Captain Webb had swum the Channel he was escorted as a hero through the sacred precincts. He met with a flattering reception ; but not so the constable who thought it his duty to follow him. His tunic was divided and his helmet served for a time as a football, a branch of sport in which members frequently indulge on the floor of the House. Again, Frank Slavin, the Australian champion boxer, visited the Stock Exchange on Christmas Eve, 1889, when he not only received a cordial reception but a purse of sovereigns which was quickly subscribed.

Thus it is not always that the Stock Exchange maltreats the stranger within its gates. Even in the case of an interloper, he is sometimes politely bowed out by one of the waiters ; it depends upon the humour of the House. When a member descries a stranger he sometimes cries, "Fourteen Hundred!" Various explanations are given of the meaning of the mystic cry. One is that a stranger was suddenly accosted with the request for the price of a certain stock by an inquisitor with a gleam in his eye. Terrified, the discovered intruder gasped out "Fourteen hundred!"—a high price indeed for any stock—and gave himself away. Another explanation goes back many years—the cry is certainly an antiquity—when the number of members of the Stock Exchange, after rapidly advancing, stood for nearly two years in succession at 1399. Who would be the fourteen-hundredth became quite a point of interest. One day a palpable stranger strolled in through the Capel Court door, and a happy inspiration struck Mr. William Eykyn, the Charlie Clarke of those days, who introduced him to the market as "number fourteen hundred"—the significant title of a stranger ever since.

A pistol-shot rang through the Stock Exchange on Saturday, 17th July 1897, and crowds hurriedly gathered round the Yankee Market, whence the ringing report issued. Almost simultaneously the placard of an evening paper was blazing forth the news outside that a well-known stockbroker had committed

suicide. But it was merely a strange coincidence. The well-known stockbroker was some M. Gaudrat, who had killed himself in Paris; the pistol-shot in the American Market was a stupid joke. Just then the House had suicide on the brain, for a few weeks previously Mr. Barney Barnato, who, although not a member, wielded much control over the Kaffir Market, had taken his own life by leaping from the liner carrying him home from South Africa. In March 1898 his successor, Mr. Woolf Joel, was shot dead in his office at Johannesburg, and about the same time came the news that Mr. Elgate Wenkheim had hanged himself at the house of a friend and fellow-member of the Stock Exchange. In the summer of 1900 Mr. John Day committed suicide, his body being found in a small pond near his house. At the end of the year an immense sensation was caused by the sudden disappearance of Mr. Percy Lintott Foxwell, another member. A large reward was offered, and all kinds of theories were advanced to account for the mysterious disappearance. Eventually, at the end of January, after nearly six weeks, the body was found in the Thames, near his home. A handsome gold watch, presented to him by a fellow-member, was in his pocket. Interest was added to the case by the statement of Mrs. Foxwell that she believed in clairvoyancy and had seen the drowned body of her husband in the crystal she had consulted.

In one of the scenes of the great autumn Drury Lane drama of 1897 was represented the interior of the Stock Exchange. It was freely asserted that many members appeared on the stage from time to time as supers; at all events the stalls and dress circle were full of them on the first night and the pit was mainly occupied by their clerks. For days many wore a sprig of White Heather in their buttonholes in honour of the name of the play. The scene on the whole presented a strikingly accurate counterpart of the portion of the Stock Exchange it represented. Perhaps it looked somewhat too cramped, and the animation and the ceaseless hum of the House were missing. As time went on the scene was much improved by the criticism of members, especially in the matter of its climax. It was respectfully pointed out that members would not go on dealing with more or less unconcern after the sudden death of one of their number in their midst. Accordingly the stage direction was altered so that after the hammered member had fallen dead in the arms of his clerk the curtain was brought down with all his fellows standing awe-stricken and bareheaded. It was also respectfully pointed out that a defaulter was never present in the House at his hammering. It appeared, however, that on occasion there had been exceptions to this convenient custom of absence, and it was told how some years previously a perfectly solvent member, much to his surprise, was by mistake declared a defaulter, and, after

the usual announcement by the waiter that Mr. So-and-So was unable to comply with his bargains, shouted out, greatly to the relief of those of his fellow-members who had to receive differences from him, "It's a damned lie!"

This is the manner of the hammering, or the declaration of a defaulter on the Stock Exchange. It having been reported to the Committee either by the member himself or by his creditors that he is unable to meet his engagements, instructions are given to the executioner, one of the waiters. The waiter rises, his head uncovered, and with the small wooden hammer smites three blows on the side of his stand. However great may be the noise and excitement at the time, his summons never fails to compel the most complete silence. After the third stroke, he proclaims that "Mr. So-and-So begs to inform the House that he cannot comply with his bargains." The phraseology is altered a little in exceptional circumstances. Then the notice that the member, who ceases to be one, has been declared a defaulter is posted in the House and communicated to the Press. The Committee used to keep such announcements private, but for many years they have received a wide and wise publicity. Towards the end of the century one of the hammers was suddenly shattered in the hands of the executioner, those around gleefully scrambling for the pieces, and some of them eagerly bidding up to a hundred pounds for the relic. It was a happy

omen, but unfortunately another hammer has had to be provided. Besides there are always two.

In the closing years of its first century's existence the Stock Exchange Committee has given many signs of its determination to enforce strict discipline in the House both in minor and in more momentous matters. The spirit of the younger members must be quenched, even at the expense of suspending a couple of them for stuffing sawdust down the backs of others! A most remarkable document appeared on the notice-board at the beginning of 1896, much to the amusement if not to the edification of the House. It was nothing more or less than an apology, written by the representative of a leading firm of brokers, for having sworn at a mining jobber. The jobber took the lurid epithet so much to heart that nothing could mollify him but a public apology made through the Committee. About the same time a member of the New York Stock Exchange called another "a liar between 3 P.M. and 9.45 A.M.," pleading before his Committee that he had cast no aspersion upon the slanderee's character in business hours when he was under its jurisdiction. Meantime a member of our own Stock Exchange had obviously been borrowing from another without repaying, for this notice was posted in the House some six years afterwards, in February 1901 :—

Resolved: That Mr. —, having in 1895 borrowed a small sum of money from a fellow-member, and having

failed to carry out a subsequent agreement to repay same until ordered to do so by the Committee, has incurred the severe censure of the Committee.

It was currently reported in the markets that the amount at issue was half-a-crown; but the loan seems to have been £25 or £30, which the debtor refused to pay his whilom friend, though he had after many years made much money in the American Market. Would that all small creditors had a Committee to which to appeal.

In October 1897 the Committee had an almost equally curious and a much more serious case to deal with, arising from difficulties in the Westralian Market. One of the rules of the House decrees that heavy penalties may be incurred by any member compounding privately with his creditors, or any of them, instead of publicly declaring himself a defaulter. Moreover, the compounding parties bring themselves under the charge of rule-breaking by their agreement to such an arrangement. On this occasion the Committee had the rule brought strangely before it. It appeared that a Westralian jobber had accepted help from some of his creditors instead of declaring himself. There was an informal agreement between the two parties, whereby the debtor undertook to defer to his creditors' wishes as regards his dealings to a certain extent. The creditors having accused him of acting in some way contrary to their desire, the matter came before the Committee, when the member charged his creditors with having broken the rule, although

it was for his own advantage. This question of privately compounding with creditors has come to the fore on two or three occasions since, but, owing to the strong stand the Committee has taken against the practice, it is much less frequent than it used to be.

At the beginning of 1899, and towards its close, cases of falsifying making-up prices were brought before the Committee. In January one member was suspended for a month and another for five years, in the latter case the offence being aggravated by the member having received money for the purpose of making a market in the shares. In September there was posted in the Miscellaneous Market an official notice stating that a well-known jobber in the Kaffir Circus, who was of course named, having knowingly furnished to the Official of the House a wrong making-up price at the mid-August account, had thereby incurred the severe censure of the Committee. About the same time it was found that a member who was hammered with liabilities on differences to the amount of £36,000 possessed a cash balance of only £600 at the bank. The incident seemed to lead to a decision on the part of the Committee—who naturally took a severe view of the case—to make more searching inquiry into the character of candidates for membership. In the middle of 1899 a peculiar railway-carriage slander case was brought before the Committee. Some members were travelling up to town, when in the course of conversation one of them carelessly

remarked that a certain firm that had been named was a very weak one, and had to be helped over every account. "As those are friends of mine you have mentioned," suddenly exclaimed a gentleman from the corner of the carriage, "I shall inform them of the observation you have made." On thus hearing of the matter the slandered firm applied to the Committee for permission to commence proceedings for slander. But the case was settled out of Court on the basis of an unqualified apology and the payment of a thousand pounds to charities nominated by the offended firm.

In March 1900 one who is better known as an exponent of the particular branch of sport of which he is a shining light than as a member of the Stock Exchange, was suspended for five years, his offence being that he wrote to shareholders in a certain company offering to buy their shares at a price which was much below the current market price. Two months later another member was expelled the House altogether for dishonourable or disgraceful conduct in that he contracted loans on the security of Consols for which he had fraudulently completed false stock receipts. Various cases of suspension have recently occurred for the offence of dealing speculatively for clerks or other employees in any business without the permission of the employer. A flagrant case was that of February 1900, when a National Discount clerk sold Parr's Bank shares, delivering forged transfers. Not only were brokers who dealt

for him punished by suspension, but the loss arising from the forgery caused the failure of a much-respected firm. The rule against dealing speculatively for employees is of course a most salutary one, removing temptation to speculate with the money of an employer. The rule used to state that members were cautioned against so dealing, but at the beginning of 1900 it was altered so as to forbid such transactions altogether. In recent years in fact the Committee has done much, by enforcing strict discipline, to uphold the fair name of the House and to enhance the respect in which it is held by the outside public.

CHAPTER XXI

THE STOCK EXCHANGE MILITANT AND LOYAL

A Fashoda story—The Transvaal war—President Kruger declared a defaulter—The House demonstrates at the Guildhall—Big subscriptions to war charity—Curious ways of raising money—A member as auctioneer—Scenes on Ladysmith Day and Mafeking Day—Members for the front—A fracas in the House and a question in Parliament—An offer from the Stock Exchange to the War Office—Members who were slain in battle—A Stock Exchange Victoria Cross—The khaki nose—A House flag—Stock Exchange loyalty—The Diamond Jubilee and other celebrations—Royal messages to the Stock Exchange—The death of Queen Victoria.

A WAR-CLOUD hung over the Stock Exchange in the autumn of 1898, even as one burst over it in the autumn of 1899. The incident was that of Fashoda, and the threatened foe none other than France herself. At one time prices gave way seriously on the blackness of the aspect. It was then that a member of the House confidentially approached a well-known dealer and thus delivered himself: “Tom, my boy, I’ve been a volunteer for fifteen years, and I’ve seen some war scares in my time. I never thought any of them would come to anything as regards England, and so far I’ve been right.

But now—I've sent in my resignation!" Happily the war-cloud rolled by, and in the spring of 1899 we find the Stock Exchange despatching a kindly message to the Paris Bourse in connection with the national bereavement which France had just suffered. "Please accept the sincerest sympathy of the Stock Exchange in the great loss which France has sustained in the death of President Faure," ran the cablegram; and the reply was, "Président, Stock Exchange, Londres. Nous remercions bien sincèrement de votre sympathie dans ce grand malheur national.—De Verneuil, Syndic."

The Transvaal war-cloud burst in October 1899, and at the time of writing strife still drags on. The war is peculiarly connected with the Stock Exchange. It has been undertaken on behalf of the Uitlanders, practically without exception engaged in the mining industry; its effects, it is trusted, will be to relieve the industry of many burdens, and to bring more prosperity to the Rand mining companies. It has been the subject of remarkable Stock Exchange demonstrations, and of outbursts of Stock Exchange patriotism and charity even more remarkable. It has led to a huge increase of the National Debt, bringing Consols down much below par. It has kept the Kaffir Market in a state of nervous anxiety as to information. Although humanity has not been staggered by any huge destruction of mining property, as was at one time feared, the war has involved cessation of work by the



From a pencil sketch by Frank H. W.

IN THE KAFFIR MARKET.

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mining companies, the seizure of some of their gold, and the postponement of their dividend declarations. It has caused feverish movements in prices, alternated with long periods of stagnant depression. Yet it has at no time caused the merest semblance of panic, even in the market directly affected.

On Tuesday, 3rd October 1899, the Bank rate was suddenly raised from $3\frac{1}{2}$ to $4\frac{1}{2}$ per cent. The state of war had not then been actually reached, but heavy shipments of gold were being made to South Africa, and the day before Consols had fallen as much as $1\frac{3}{8}$ to $102\frac{5}{8}$, a lower point than any that had been touched for five years. The unexpected announcement of the advance in the Bank rate was made in the usual way in the Consol Market, but scarcely any one heard it. The Kaffir Market knew nothing of the alteration until a waiter was seen changing the figures above his stand. There was a sudden silence ; he felt every eye upon him, and, as he nervously fumbled, an angry, impatient shout broke from the eager crowd. The effect of the change in the rate was immediately felt throughout the markets, Consols leading the way with a further fall to $101\frac{3}{4}$; but before the day was over confident recovery had set in. Forty-eight hours afterwards, on the Thursday, the Bank rate was again raised to 5 per cent. Very seldom had it been changed on any day of the week but a Thursday, the previous occasion having been on Monday, 30th December 1896. Still

more seldom had it been raised more than once in one week, the previous occasions having been in 1873 during the American banking crisis, and in 1866 during the Overend Gurney panic.

War actually commenced on the afternoon of 11th October. At the very minute when the period mentioned in the Boer ultimatum expired, two great flags—the Royal Standard and the Union Jack—were unfurled from the bench in the Rhodesian Market, drawing all the members present to the spot. The singing of the National Anthem suggested itself. “Where’s the conductor?” yelled a voice. Mr. Charlie Clarke made his way to the front and mounted the bench, walking-stick baton in hand. The dead silence which followed the clearing of throats might have proved suggestive even to a less witty member, recalling the similar silence which ensues sometimes after settlement days, when the waiter mounts the rostrum with his hammer. It inspired Mr. Clarke to make one of the most effective remarks ever heard within the Stock Exchange. “Gentlemen!” he cried, having dealt the three dread blows, “Mr. Kruger has not complied with his bargains!” The effect was electrical; roar after roar of laughter and applause greeted the sally. The President of the Transvaal Republic had been formally declared a defaulter; he had been hammered. More than a full minute elapsed before silence was sufficiently restored to begin the National Anthem. The second verse, dealing with Her

Enemies, was sung even more emphatically than the first ; and " Rule, Britannia " followed. Great Britain was at war, and at war over a matter which closely affected the Stock Exchange.

A day or two afterwards President Kruger was hanged in effigy by one of the members, and an attempt was made even to burn him in effigy ; but demonstrations of this sort met with stern official discouragement. A day or two after that one of the waiters, called out to join the Reserves, was lustily cheered by the members as he left the House in a hansom.

On 16th October the Stock Exchange took part in the demonstration in support of the Government at the Guildhall, under the auspices of the Lord Mayor and a Committee of several civic dignitaries, including Mr. Hichens, the Chairman of the Stock Exchange Committee. Posters announcing the great City meeting had long flared from the walls of the House, and on the morning of the day copies of a circular were handed round stating that " The Lord Mayor has invited a deputation from the Stock Exchange to attend a meeting at the Guildhall this day, 16th October, at two o'clock, at which a resolution supporting the policy of Her Majesty's Government during the present crisis will be proposed. Members who can attend are requested to form up in fours in Capel Court at 1.30 punctually." The members who could attend numbered about a thousand. Well

before the appointed time Capel Court was crowded, and as the procession filed out, members in their impatience formed fives and sixes instead of fours. Headed by the Royal Standard and the Union Jack, borne by two members—the same flags under which President Kruger had been hammered—the procession forced its way through a throng of spectators, aided by a body of police. Some of the members, as is their wont in the City, walked all the way bareheaded, many of them wore patriotic emblems, miniature flags and the like, in buttonhole, tie, or hat. On arrival at the Guildhall members found a special place reserved for them in accordance with their special invitation from the Lord Mayor, and that space became the liveliest in the hall. Mr. Hichens was one of the speakers from the platform, supporting the second resolution, and he congratulated the members upon the way they were spending their time. The House was comparatively empty for a couple of hours, and when the demonstrators returned it was closing time. They learned that some of the absentees from the Guildhall had been whiling away the time by holding a mock meeting in support of the Boer Government.

But more remarkable even than the Stock Exchange demonstrations in connection with the Transvaal War were the Stock Exchange charities, in which members showed that they were prepared to back the sound of their voices with the contents of their pockets. For the

benefit of those immediately suffering from the outbreak of war, a Transvaal Refugees' Fund was opened at the Mansion House. The Stock Exchange determined to subscribe; a list was placed under the management of three firms, and in the first flush, in a few minutes, subscriptions were recorded amounting to £8000. Within the next ten days, during which the list was kept open, subscriptions poured in. No fewer than 112 subscribers gave a hundred guineas each, and 58 subscribed fifty guineas each; there were 148 donors of ten guineas, 185 of five guineas, and 83 members gave one guinea each. The whole list comprised 897 names, many of them being the names of firms with several partners, and the grand total, grand in more senses than one, was £22,267 : 18s. Complimentary letters were naturally received from the Lord Mayor in acknowledgment of the instalments as they were sent in, and this is the final one addressed to the managers of the Fund :

MANSION HOUSE, LONDON,
2nd November 1899.

DEAR SIRS—In acknowledging the receipt from you to-day of £3267 : 18s., being the balance of the sum subscribed on the Stock Exchange for the Transvaal Refugees' Fund, and making a total of £22,267 : 18s., I am directed by the Lord Mayor to ask you again to convey to the members his grateful thanks for their great generosity in this time of trial and anxiety experienced by the unfortunate fugitives in South Africa, and for this fresh proof of the magnificent aid and practical sympathy which the Stock Exchange invariably manifests on occasions of public calamity and distress.—Yours truly, W. J. SOULSEY.

But before the Transvaal Refugees' Fund was closed the members of the Stock Exchange had subscribed £8000 to another. This time the object was the support of the dependants of soldiers and sailors incapacitated in the war—the Widows' and Orphans' Fund, as it was called. The charity, the enthusiastic charity, of members had not been exhausted. The second fund grew even more rapidly than the former one, and on one day subscriptions came in so rapidly that the organisers were unable to prepare the list for display in the House. The total of the Transvaal Refugees' Fund was easily passed; when the list was closed, the Fund had reached £34,664 : 10s. This letter, in such striking terms, was addressed to the members of the Stock Exchange as a body by the Lord Mayor:—

DEAR SIRS—I have received with great pleasure the magnificent sum of £34,664 : 10s., which has been subscribed on the Stock Exchange for the Widows and Orphans and other sufferers by the Transvaal War.

This munificent contribution, especially coming so soon after the equally handsome amount which you raised for the Refugees, is a fresh proof and manifestation of that spirit of loyalty and patriotism which has ever characterised the members of the House, and is especially exhibited in practical and overflowing sympathy in times of stress and anxiety among the subjects of Our Sovereign Lady, either at home or abroad. I feel sure that the benevolence of the Stock Exchange, for which I heartily thank you, will be greatly appreciated by Her Majesty's forces now fighting their country's battle in the Transvaal, when the news reaches them.—I am, Gentlemen, your grateful and obedient servant,

ALF. J. NEWTON, *Lord Mayor.*

Thus the Stock Exchange had contributed between fifty and sixty thousand pounds to the Transvaal War charity within a month. Of the total national contributions to the two Mansion House Funds up to that time, the Stock Exchange had given no less than one-sixth. Meantime the Stock Exchange clerks had organised a fund of their own, one of the financial papers, the *Financial Times*, assisting in the collection of subscriptions. Although this was limited to the maximum of a guinea, and many of the contributions were of a shilling each, the fund when it was finally closed at the beginning of 1900 amounted to the sum of £767.

The House also contributed horses. A printed notice was found posted all round the Stock Exchange one morning intimating that the Imperial Yeomanry, commanded by Lord Chesham, was in most urgent need of the animals, and that it was hoped a hundred of them would be supplied by members. The horses had to be 14.3 to 15.3 hands in height, 6 to 10 years of age, and sound. Those who could not supply such horses might give cash to buy them. Two old members gave neither horses nor cash, or if they did they gave two valuable documents also. One was a list of members of the House in 1851, and another was an official price list of 1852—relics of the mid-century. These were offered by auction through the *Financial Times*, and resulted in adding ten guineas or so to the fund; as a

Yeomanry mount costs £40, that meant at least a leg. In the final result the Stock Exchange subscribed 38 horses and £2884, which was of course equivalent to more than the hundred horses for which request was made.

Other funds, subscriptions, collections, and donations followed, raised in all kinds of ways, some of them curious. One fund provided an ambulance for the Imperial Yeomanry; another was raised for the Natal Volunteers' Dependants at the invitation of the Agent-General. The Jersey Home for Working Lads, a Stock Exchange charity, adopted several sons of the men who had fallen in battle, besides even supplying some fighting power. One member added to the funds by readily selling to his fellows buttonholes from his garden at half-a-crown each;—the House is noted for the floriculture of its members, it is often gay with flowers, and a Stock Exchange Flower Show has frequently been suggested. Another member, or rather firm of jobbers, appealed for illustrated papers for the Cape Military Hospitals, and undertook to despatch bundles every week. Then Mr. Charlie Clarke, the House jester, not only took to patriotic music-selling, but once brought into the House a pony with a collecting-box on its back, into which were dropped coins to the sum of £15. It is not usual to introduce a horse into the Stock Exchange—this in fact is the only instance—but Mr. Clarke had the maid-servant's excuse that it was only a little one; indeed it

was not much bigger than a mastiff. He borrowed it from a lady who was collecting in Throgmorton Street. Then this notification once appeared on the notice-board of the House :

LAING'S NEK, 8th August 1900.

On behalf of the officers and men of the 1st Battalion of the Royal Dublin Fusiliers, Major O'Neill wishes to thank those gentlemen of the Stock Exchange who so kindly subscribed for the tobacco sent out in May last.

The little message of gratitude was the result of a collection made in the House on St. Patrick's Day, when £40 was realised and spent on the fragrant weed for the comfort of the famous Irish regiment—one example of other similar collections. Somebody even suggested that the House should be thrown open for a charity ball, as so many strangers would pay handsomely if only for the opportunity of examining the interior of the House. The startling idea never came to anything, although there were plenty of supplementary suggestions on the subject. For instance, it was suggested that the House waiters should announce the dances, that Mabey's should supply the refreshments, that the Stock Exchange Orchestral Society should provide the music; that the Committee should receive notice of partnerships from 'operators in 'options. Figure dances, it was suggested, would, of course, preponderate; and there might be specially composed for the occasion the Erie Valse, the Local Loans Lancers, the Pennsylvania

Polka, the Milwaukee Mazurka, the Consols Cotillon, and the Randfontein Reel. It might be well, it was added, to relay the floor of the House for the occasion, and to convert Caper Court into a conservatory.

Then, all in aid of war charity, there were benefit performances, raffles, the sale of amateur publications, and a sale by auction. The proceeds of a smoking concert given at the Queen's Hall by the Stock Exchange Orchestral and Choral Society on 8th January 1900, at which the Prince of Wales was present, were devoted to the aid of the Soldiers' and Sailors' Families Association. A little later the Stock Exchange clerks gave a concert at the St. Martin's Town Hall in aid of the Absent-Minded Beggars' Fund, the chair being taken by a well-known member. About the same time was played the annual hockey match between the Stock Exchange and the Rest of the South, at Surbiton, and the gate-money was given to war charity. Members wrote wretched doggerel and sold it for the same object. Mr. W. Eden Hooper, an outsider, perpetrated an outrage, as he put it, in the production of *Stock Exchange Sayings*, to which work reference has been made, and gave a proportion of the proceeds to war funds. The *Sketch* hit upon the admirable idea of producing an exact facsimile of the Stock Exchange Official List a hundred years ago, and sold copies in the House. As to the raffles, one was of a couple of the boxes of

chocolate sent by Her Majesty Queen Victoria to the troops, and the proceeds, £64, were sent to the wounded owners lying at Woolwich. Then Mr. Caton Woodville's war picture, "Until death do us part," was also raffled in the House; the 200 tickets at a guinea each being snapped up within twenty-four hours, and the resultant £210 going to Lady Lansdowne's War Fund. A widow having sent a ring worth a few shillings as all she could contribute to the Mansion House War Fund, it was passed on to the Stock Exchange—what better place?—where it was offered by auction, and after spirited bidding realised £3:18s. So that the widow's mite formed quite a handsome little donation to the Fund.

But a more important sale by auction was that of tickets for the first night's performance in the new Wyndham's Theatre. The sale was held in the City Athenæum Club, frequented mainly by members of the Stock Exchange, and the proceeds were devoted to the Widows' and Orphans' Fund. The club-room was densely packed by an enthusiastic crowd, most of the faces well known in the House being present. Mr. Charles Wyndham himself opened the sale, and in the course of a witty speech said:—"I ask you to make a market for these tickets. I ask you to boom them. Whilst war rages between Bulls and Boers there will be no bears in this case. There will, I hope, be a little rigging, but no commissions, contangoes, or carry-overs. The

securities, each duly and correctly numbered, will be taken up, and every one of them will be a gilt-edged security ; gilt-edged in the enduring memory of a noble deed by you well done. Gentlemen, the hammer is ready, the same, I believe, as the other day declared the default of Mr. Kruger. Be you ready with your notebooks and your cheque-books.” Mr. Charlie Clarke was the auctioneer, and the first box was knocked down at £100 on condition that Mr. Wyndham would accept it for himself and Mrs. Wyndham. Then other boxes and stalls were sold at almost equally extravagant prices, with the result that £850 fell to the hammer, and £714 was obtained by private treaty, so that £1564 was the amount realised.

In its eagerness to contribute to war charity the Stock Exchange even allowed itself to be photographed—an unprecedented departure and one which aroused no little protest on the part of many members, who objected to the privacy of the House being thus thrown open to the public gaze. However, photographs worthy of the subject were taken, and readily sold for the benefit of the war funds ; the occasion being the wild rejoicings in the House over the relief of Mafeking. Each of the “reliefs” of the war was followed by stirring scenes in the House ; the relief of Kimberley with its diamonds less than those of Ladysmith and Mafeking. The relief of Ladysmith before it was accomplished was preceded by many a false rumour and many a fictitious rise in prices followed by disappoint-

ment and collapse involving severe loss. Asked to describe the state of business on one of these days of false boom, one member exclaimed, "Spion Kop has been captured ; the bears are rushing to their Warrens and the markets are becoming Buller and Buller." But the names of the two generals were thus taken in vain in more senses than one.

However, Ladysmith was at last relieved. The Stock Exchange had the news at five minutes to ten one morning, and members dashed straight into the House before going to their offices. Each new-comer as he entered the excitable swing-doors asked wildly if the news were true, and hands were shaken all round as the report was confirmed. Then with expectancy the prices were inquired. It came almost as a shock to the highly-strung state of fervour to find the Kaffir Market barely responding. Here and there a dealer bid for shares, but nothing of any consequence was done. There seemed to be a wave of enthusiasm dashing against a stone wall of public apathy, and not a buyer came in from outside. Five minutes before eleven Mr. Charlie Clarke was seen to be extremely busy, and the whole House turned in the direction of the Consol Market. There was a sea of upturned faces and not a hat to be seen. There could hardly have been fewer than 5000 men present as the first note of the National Anthem boomed solemnly from the knot round Mr. Clarke. The voices were at first in almost perfect unison, but in the

other verses the tenors and altos took up their parts. Then at the tip-top of his voice the conductor called for cheers. Cheers for Buller, for White, for the Colonial and the British troops. It was a stirring scene, and as the markets returned to work, such as it was, they sang "Rule, Britannia." Later in the day the House went mad. Flags were waved, football played, members with supposed pro-Boer tendencies roughly but good-naturedly handled. Frivolity and conviviality took the place of the expected revival in business that had not come, and the Committee winked at the disorder. One member took his post-horn into the House and gave selections all the afternoon, winding up his day by conducting a chorus of "Soldiers of the Queen," and then tearing round the House on the sturdy shoulders of six human horses, who finally landed him—a panting heap—among the Westralians. Various processions filed round the Stock Exchange, inside and outside, during the day, at the end of which many members had entirely lost their voices.

There were some strange stories next morning. One broker confessed that he was strolling about the West End in the early hours, and, feeling tired, dropped into a cabmen's shelter, where he promptly fell asleep. He was awakened by the entry of a stranger, and turned half round to remonstrate against having his rest broken, when he found it was another member of the House. Another member failed to reach home, but found himself in the lamp-

room of a suburban station, although he had not the remotest idea of how he had been spirited thither. Many members had lost their hats in the grand scrimmage of the afternoon, and no fewer than twenty-one were collected and placed on view in the Stock Exchange cloak-room with a view to identification. But perhaps the strangest story came from Waterloo. A Stock Exchange man who was found asleep on one of the seats in the station, discovered four first-class tickets in his pocket, all for the same place. How they could have come there is still a mystery. The only conclusion his friends could arrive at was that after taking the first ticket he must have met some one who invited him to toast the victorious Generals, and that he took another ticket afterwards, forgetting about the first, the performance being thrice repeated.

On the assembling of the Stock Exchange after the receipt of the news of the relief of Mafeking, some months afterwards, the Ladysmith scene was perhaps surpassed, although members had all heard the news the night before, and the day of celebration was a Saturday. Business commenced at a quarter-past ten and ended fifteen minutes later. During the night a member had indicated the programme for the day in an epic of which this was the first verse :

O London, lay aside the pen, the ledger, and the ruler too,
To sing some rousing chorus such as tooral, looral, looral,
loo.

Forget awhile your bargaining, your dealings, and your trafficking,
And help to-day as well you may to spread the news from
Mafeking.

Members were not loth to obey the poetic injunction, which was posted up in one of the markets. Preparations were rapidly made for the time-honoured singing of the National Anthem, and boundless enthusiasm was, of course, the feature of the performance, which only terminated after Baden-Powell had been frantically cheered. It was then that the House was photographed. Flags flew from every available niche, they were strung on lines that were run across the markets, they decorated members' silk hats. One member, who had been a fellow-scholar with Baden-Powell at Charterhouse, used as a band for his hat a tie in the Carthusian colours of pink, crimson, and blue. Other members wore Union Jacks as waistcoats, shawls, handkerchiefs, ties, or instruments wherewith to torture their neighbours. The utmost good-humour prevailed. One crusty old broker had his hat tipped off. "You won't make me angry to-day," he said with a laugh, as he picked it up. Several strangers were seen in the land, and one of them was seized by a waiter. The House took in the situation at a glance, roared Fourteen Hundred, and swept him from one side of the Kaffir Market to the other until, half-dead, the hapless stranger was shot out by one of the Broad Street doors. "That's one man who will never

want to be a member of the House," observed a dealer who was looking on. The inevitable post-horn was heard in the House, and a post-horn in the House can certainly be heard. In short, there was a wild scene in the Stock Exchange on Mafeking Day.

But the Stock Exchange militant did more than play the fool, it did more than sing patriotic songs, it did more than lavish large sums of money in war charity—it gave of its life, and it won the Victoria Cross. No institution, no body of men responded more readily or with more effect to the appeal of the Government for volunteers for the front than did the Stock Exchange. It furnished more than 120 fighting men in all, some 40 members and 80 clerks. One big firm alone sent six men, three of them being partners and three clerks, and in another case both partners of one firm went.

The parting gave rise to many a pathetic little ceremony. In one case the hero was presented with a smoking-kit suitably inscribed, and as the pouch held a pound of tobacco it served for a pillow and pouch combined. Enthusiastic was the God-speed as the men departed, some with the Imperial Yeomanry, some with the City Imperial Volunteers, some with the Honourable Artillery Company. The business of a stockbroker or stockjobber requiring almost as much personal supervision as that of a doctor, considerable financial sacrifice was involved by the members who set out to brave the toil and

danger of war. As far as the clerks were concerned, their places were kept open and their salaries continued by the firms they served, without exception. The Managers, moreover, announced, as a tribute to those members who had been accepted for active service, that their subscriptions would not be charged during their absence, and further, that no entrance fee would be payable for any clerk substituted in the House for one who had gone to the front. The Stock Exchange Clerks' Provident Fund passed a resolution to the effect that any member of the Fund accepted for military service should remain eligible for the benefits of the Fund during the term of such service.

How high feeling ran in favour of the generous treatment of the volunteers was shown in an incident which was in other respects exceedingly regrettable. An erroneous impression got abroad somehow or other that a certain firm had refused to keep their places open for a couple of their clerks who had been accepted for service. A paragraph to this effect cut from a halfpenny newspaper was exhibited in a prominent part of the House just when the war fever was at an intensely high pitch, and it excited considerable comment. If either of the partners of the firm appeared in the House, a militant member was heard to say, he would find it pretty hot. Rather curiously, neither gentlemen put in an appearance until the afternoon, but when the junior partner entered the Kaffir Market door at half-past two, organised

commotion was obvious. An angry crowd of men formed round the victim, hooting, hustling, hissing. In five minutes' time half the House seemed to have compressed itself into the narrow space between the Foreign and Kaffir Markets. Amid wild excitement a South African jobber climbed upon a desk and drew forth a letter from one of the discharged clerks, which he offered to read. His voice was drowned in tumult. Some say that the victim fainted amidst the knot of oppressors who mauled him severely, only to be maltreated again when he recovered his senses. At all events, he looked exhausted as he was eventually dragged round the Kaffir Circus in one of those mad rushes for which the House is famous. At last, the crowd bounded down the steps leading to Throgmorton Street, many of the actors declaring that their feet never touched the steps as they were swept along. Once in the street, the member made a dash for his office in Warnford Court, and for an hour or more Throgmorton Street was filled with angry knots discussing the event. Inside the House, as men's feelings cooled down, it was remembered that the firm in question had been one of the foremost in supporting the various Stock Exchange War Funds! The victim was incapacitated for business for some days, and a threat of legal proceedings, even criminal proceedings, was made. But the matter ended, as far as the Stock Exchange was concerned, although it was raised in the House of Commons, by the

prominent exhibition of this notice all round the walls of the markets :—

The Committee for General Purposes having received a complaint from a member that on a recent occasion he had been the subject of a violent personal attack in the Stock Exchange by a large number of members or their clerks, whereby his health has been seriously affected ;

The member in question being unable to identify his assailants, the Committee are unable to put in force the provisions of Rule 117.

They appeal, however, to members generally to assist them in the prevention of such disgraceful conduct, which brings discredit on the whole House.

By order.

EDWARD SATTERTHWAITE, *Secretary.*

Shortly afterwards, in the House of Commons, the Home Secretary was asked by Mr. Swift MacNeill "whether he was aware that one of the partners of a firm of brokers was on 15th January (1900), when he entered the London Stock Exchange, knocked down and kicked until he fainted by a crowd of stock-jobbers interested in the war with the Transvaal, and that the perpetrators of this outrage thus ill-used this gentleman under the erroneous belief that his firm had refused to keep open the place of two clerks who had volunteered for service in South Africa ; whether the Government intended to take any steps to bring to justice the ringleaders in that disorder ; and whether, having regard to the fact that the Stock Exchange had been previously the scene of riotous proceedings in reference to the present war, he would take measures to pre-

vent the repetition of similar outbursts." Sir Matthew White Ridley was severely formal and correct in his reply. "It would be open," he said, "to any person stated to have been assaulted to take criminal proceedings, and I have not taken, and do not propose to take, any action in the matter. The Stock Exchange is a private place, and it is the duty of the authorities of the Stock Exchange to take whatever proceedings are necessary to preserve order therein."

In the midst of its militarism the Stock Exchange received with high favour a suggestion that it should raise from amongst its members and clerks a body of light mounted infantry for home defence. At first it was only a visionary idea, but by degrees the proposal took definite shape, and eventually several of the military men in the House, retired officers and others, such as Captain George Howard, Lieutenant Cecil Fane, Major Osborne, Captain Pelham, Captain Lyon, and Lieutenant Weguelin, agreed to place the scheme in the hands of Lieut. Basil Montgomery, an influential broker, who had served with the 60th Rifles. After a vast amount of consultation and suggestion, Mr. Montgomery approached the War Office with the offer that the House should raise two or three companies, each 100 strong, to act as a corps of irregular mounted infantry during the time that so much of the yeomanry and cavalry of the country was away in South Africa. Mr. Montgomery promised that the

corps would be responsible for all expenses, merely asking for the regulation amount of ammunition and the loan of accoutrements, with the further request for a regular officer and adjutant to take command. The Government courteously rejected the offer, with the suggestion that the militants should join one of the existing yeomanry or mounted infantry corps—this answer of Lord Lansdowne meeting with no very enthusiastic reception in the House, as may be imagined.

Of the Stock Exchange men who went to the front some were left dead on the field. By Lieut.-Colonel Hoskier's death—he was the first to fall—the 3rd Middlesex Volunteer Artillery lost a smart officer and the House a valued member. The next to fall was Captain Cecil W. Boyle, of the firm of Pember & Boyle, who was killed in a brilliantly successful action which Lord Methuen said reflected great credit on the yeomanry, of which Captain Boyle was an officer. When French made his splendid ride to Kimberley, Captain Boyle acted as one of his gallopers, and entered the town almost side by side with the victorious general. He also saw the capitulation of Cronje, on which occasion also, by the way, the Stock Exchange had sung the National Anthem and cheered Lord Roberts. Another death at the front was that of Mr. M. W. Holland, an authorised clerk for the firm of J. & A. Scrimgeour, and a private in the City Imperial Volunteers. He was a general favourite in the House; a young

fellow who seemed destined to make his way in the world. Mr. T. B. Miller, who fell in the engagement at Lindley, fighting in the ranks of the Imperial Yeomanry, was yet another Stock Exchange man who gave his life for his country.

Over its Victoria Cross the Stock Exchange glowed with pride. Lieut. Doxat's was the valour that won it. The gallant lieutenant had been a member of the House for only five years, and at the beginning of his career his fellows used to laughingly tell him that he would never be any use for serious business. But the *Gazette* records this transaction :—

Lieutenant A. C. Doxat, 3rd Battalion Imperial Yeomanry.—On the 20th October 1900, near Zeerust, Lieutenant Doxat proceeded with a party of Mounted Infantry to reconnoitre a position held by 100 Boers on a ridge of kopjes. When within 300 yards of the position the enemy opened a heavy fire on Lieutenant Doxat's party, which then retired, leaving one of their number who had lost his horse. Lieutenant Doxat, seeing the dangerous position in which the man was placed, galloped back under a very heavy fire and brought him on his horse to a place of safety.

Members of the Stock Exchange have thus taken a keen personal interest in the war, besides a business interest and a general interest. The demand for war news in the House has always been eager, and soon after the outbreak of hostilities the number of notice-boards upon which to post the cablegrams of the news agencies was increased from one to two. Even if the bulletins were not always of an important nature, they at least formed pabulum

for discussion amongst the amateur tacticians of the House. One of these was for a time peculiarly loud in his criticism of the policy of our generals, and being a volunteer officer himself, he offered his denunciations with authoritative zest. It was at the time when many of the sons of the Stock Exchange, khaki-clad, were outward bound, and to do our critic justice he would have gone with them had he not been invalidated by being a married man. In the midst of one of his daily harangues, to which a larger group than usual was listening, he was handed a telegram. It was ostensibly from the War Office, and ordered him, Lieutenant Moses—to use a fictitious name and rank—to forthwith proceed to the front. His surrounding colleagues watched the struggle of feeling with which the news was received. Was it a hoax, or had his military talent really been recognised? The excited pallor of the poor fellow's face seemed the more ghastly in contradistinction to the constitutionally ruddy hue of his nasal organ, which it must be admitted was at all times distinctly noticeable. Then close on the heels of the first telegraphic message came another from the same source. "War Office Order," it ran. "Before proceeding to the front, Lieutenant Moses to paint his nose khaki-colour." It was perhaps this incident which inspired Mr. Percy Castello, another member, to write the comic song "Khaki here, khaki there, khaki all over the shop," which had so much vogue in the leading

London and provincial music-halls for a time. Khaki was the favourite colour inside the House as out for many a long day. On one occasion a man in the favourite uniform quietly passing down Broad Street was suddenly seized by four sturdy jobbers and dragged into the Westralian Market. One of the waiters made a feeble attempt to stop the inward rush, but he was brushed aside like a fly, and the soldier, still kicking and protesting, was hoisted shoulder-high and carried round the House amidst wild cheering.

It was the martial fervour of the Transvaal War that caused the Stock Exchange to hoist a flag for the first time in the middle of 1900. A brand-new bright red flagstaff made its appearance and the folds of a silken Union Jack were unfurled. On other occasions trophies of flags had been displayed for decoration, inside and out, but there had been no flagstaff before. It has often been suggested that the Stock Exchange should adopt some more elaborate standard than the golden monogram S.E. on a crimson ground which is sometimes displayed. Some of the suggestions as to a suitable design have been facetious. The most natural, perhaps, was that of a bull rampant *or*, underneath, a stag passant *argent*, with a bear couchant at the bottom in *azure*. One has suggested that the staff should be made of deal; another that the banner should bear the strange device, "Excelsior!" with a view to higher prices.

The latest war charity to which the Stock Exchange has subscribed is the Soldiers' and Sailors' Families Association, and in connection with its subscription this letter, addressed to the Government brokers, was displayed on the walls of the House early this year :

MANSION HOUSE, LONDON,
26th January 1901.

To Messrs. Mullens Marshall & Co.

DEAR SIRS—I have received with much pleasure and gratitude the handsome contribution of £8372:5s. made by the members of the Stock Exchange in response to the touching appeal which the Princess of Wales—now the Queen Consort—recently issued on behalf of the families of the soldiers and sailors in the war.

I shall be glad if you will kindly convey to the generous donors my sincere thanks for this munificent aid, and for this fresh proof of the patriotism and public spirit for which one never looks in vain in times of stress and anxiety from that loyal body—the Stock Exchange.—I am, dear Sirs, yours very truly,

FRANK GREEN, *Lord Mayor.*

The most momentous phrase in this graceful letter of thanks is the one to the effect that between the time of the opening of the subscription and the time of its acknowledgment the Princess of Wales had become the Queen Consort—Queen Victoria had by death been removed from her beloved sovereignty over us. Loyalty is deep-seated in the breast of the Stock Exchange. How the Queen was loved in the House and how popular is the King can be known only to those who live their lives in it, who have taken part in one of those great outbursts of feeling which occur on every

eventful occasion. The news that the National Anthem is to be sung brings members flocking into the Stock Exchange in vaster numbers than ever assemble at the news of some rich success or some awful disaster. Six thousand serious uplifted faces, six thousand united voices raised in swelling music for the blessing of the Sovereign, make a sight, a sound not easily to be matched. It is the House at one on this splendid platform, and it is doubtful whether on any other single point the Stock Exchange is unanimous.

Monday, 21st June 1897, for instance, was a memorable day in the history of the Stock Exchange, given up as it practically was to the celebration of the Diamond Jubilee of Her Majesty Queen Victoria. Nowhere throughout the British Empire—and this is saying a very great deal—was the completion of the sixty years of the reign celebrated with more enthusiasm or in a more remarkable manner than in the Stock Exchange. An official programme was issued and the demand was intense, extra copies being unobtainable for love or money. It was an attractive production, in which the national colours—red, white, and blue—boldly asserted themselves. On the front page appeared an appropriate artistic trophy—an admirable medallion portrait of Her Majesty surrounded by graceful drapings of the Royal Standard and the Union Jack, and embellished with the rose, the thistle, and the shamrock, and with oak leaves. Similar floral emblems

framed two more medallion portraits on the next page, one representing Her Majesty in 1837 and the other in 1897. Below was outlined the programme of the day:—"Proposed by Mr. J. K. J. Hichens, seconded by Mr. W. Trotter and Mr. E. A. Smith: 'That the following message be sent to Her Most Gracious Majesty: "The Members of the Stock Exchange respectfully send their loyal and heartfelt congratulations to Her Most Gracious Majesty. They have just with the greatest enthusiasm sung the National Anthem.'" Subsequently," continued the programme, "the National Anthem will be sung, after which three Cheers for the Queen will be given by direction. All singers are requested to attend at Quarter to Eleven in the Great Eastern Railway Market." On the third page of the programme were set forth the words of the National Anthem with the direction to sing the second verse "Piano" and the third and last "Double Forte." As a matter of fact singing commenced days before, and portraits of Her Majesty were displayed by private enterprise in all parts of the House.

When the day arrived the Stock Exchange was turned upside down. There were even ladies in the House amongst the crowds of members who packed it. Many members climbed up to perch themselves on lofty points of vantage. It was an open house that day, and, however unofficially, the friends of members were freely invited to attend—a state of affairs

absolutely without precedent and a state of affairs of which there has never been any sign of repetition. The decorations and the illuminations which ornamented the House were tasteful, even gorgeous. Amidst a scene of indescribable enthusiasm, Mr. J. K. J. Hichens, the Chairman of the Committee, proposed his resolution from an elevated stand. Mr. Charlie Clarke, as loyal and patriotic as playful, conducted the singing of the National Anthem, and despite the *furore*, musical critics who were present declare that the great hymn was rendered with a faultless precision and a perfect expression seldom associated with such a vast volume of sound. Over the three tremendous rounds of cheering the great dome of the House seemed to tremble. But the cheers continued, and "Rule, Britannia," followed "God Save the Queen," and "God Bless the Prince of Wales" followed "Rule, Britannia," and "Auld Lang Syne" followed "God Bless the Prince of Wales," and then they were all begun over again, and soon they were all being sung together, drowned in more vociferous cheering. The cheers and the patriotic songs eventually died away, but not until some days afterwards. The illuminations were repeated for two or three evenings, and the decorations were not removed for two or three weeks.

The loyalty of the Stock Exchange burst out again in all its vigorous enthusiasm on 24th May 1899, when Her Majesty attained

her eightieth birthday. The existing slump in Kaffirs sank into insignificance as Mr. Charlie Clarke mounted the Grand Trunk bench, holding a copy of the National Anthem in one hand and a walking-stick baton in the other. As the clock struck eleven the jarring markets subdued their endless clamour, and, amidst a general shout of "Hats off!" a pair of trumpeters stole timidly to the side of the conductor, and blared the first note of the National Anthem. Under the conductorship of Mr. Clarke two verses were sung, the cornets being of immense service in preserving the original key, and in supplying the intermediary cadenzas. The novelty was warmly applauded all round, and Mr. H. E. Vandervell, a venerable member of the House, who has been mentioned in the preceding chapter, was heartily complimented upon his playing. The second performer, a professional, was introduced by Mr. George Kitchin, whose work in connection with the Stock Exchange Orchestral Society has borne such good fruit. At the conclusion of the ceremony three cheers were raised for Her Majesty, and given in enthusiastic fashion. Then the Consol Market bursting forth into "God Bless the Prince of Wales," the crowd dispersed, but not before a telegram had been despatched to Windsor Castle by the Committee. It was addressed to Colonel Sir Arthur Bigge, K.C.B., Windsor Castle, and ran: "The members of the Stock Exchange send their loyal and heartfelt congratulations to Her Majesty on the

attainment of her eightieth birthday. (Signed) J. K. J. HICHENS, Chairman." Early the next morning the reply was received, it having been despatched from Windsor Castle at a few minutes before eleven the previous night: "The Queen thanks members of Stock Exchange for their kind message of loyal congratulations.—BIGGE."

When the next anniversary came round in 1900, as it was not an eightieth birthday or anything of the kind, there was a good deal of indecision in the Stock Exchange as to whether there should be any celebration; but the Boer war was raging and loyal feeling bubbled over. At the last minute Mr. Charlie Clarke was prevailed upon to conduct the National Anthem, and fresh from booking a bargain in Consols, he was hurried to the bench in the Grand Trunk Market, and made to start "God Save the Queen." The silver-mounted baton was missing, but Mr. Clarke used his top-hat instead, and the amount of fire he managed to infuse into that hat would have astonished Strauss himself. At the words "And make them fall," Mr. Clarke beat the air with such staccato defiance that several members in his neighbourhood visibly trembled. The House gave half-a-dozen rousing cheers to finish up with, missing "Rule, Britannia" and the "Soldiers of the Queen" for the sake of business. But there was not much doing during the day, and the Stock Exchange wore a semi-patriotic-holiday air up to the close.

Many members sported the National Bazaar Badge—the bazaar in aid of war charity—in their buttonholes, whilst others donned tricolour knots. An itinerant florist outside the House found his basket raided to provide tricolour favours, and the blending of white narcissus, scarlet geranium, and blue cornflower gave the markets a cheerful appearance.

Little did members realise that that would be the last occasion upon which they would celebrate the birthday of their beloved Queen Victoria. When they met on the morning of the 23rd of January 1901, it was but for a few minutes, the House being closed forthwith because of Her Majesty's lamented death. Reverently the members awaited their dismissal. To do business was sacrilege. A few price-lists were circulated, but nobody would deal or make a dealing price. The price tape ticked futilely by some one's blunder. The House, emotional almost to excess in other directions, never weeps. It is serious, and that suffices for those who know it in its usual fantastic light-heartedness. Nor did dejection assert itself. Death and the House meet so often that Stock Exchange philosophy in his presence is of the stoical order. And so the markets were quiet and grave, and intensely serious. An official declaration was expected of the closing of the House, and perfect silence reigned before the waiters made the simple announcement. There was something wanting, and the feeling of dissatisfaction broke out into quiet, indignant

demand why the Committee had not done more to mark the sorrow of the Stock Exchange. But nothing would have sufficed, nothing could have sufficed, for the occasion. The business of the day was over. But as a matter of fact the Committee unostentatiously sent this telegraphic message to the Lord Chamberlain and the Home Secretary :—

The members of the Stock Exchange desire respectfully to express to His Majesty the King and the Royal Family their most sincere condolence on the great loss sustained by them and the Nation on the death of their beloved Sovereign, Queen Victoria.

(Signed) J. K. J. HICHENS,
*Chairman Committee for
General Purposes.*

STOCK EXCHANGE, 23rd January 1901.

When the Stock Exchange closed on the evening before the death of the Queen, the price of Consols was given as $96\frac{1}{4}$; at the opening after the sorrowful adjournment it was $96\frac{1}{2}$, so that this index of our national stability may be said to have been unaffected by the momentous event. Of the national mourning which followed, the Stock Exchange bore its full share. All the important financial centres expressed their sympathy. Here are some of the messages of condolence received by the Stock Exchange :—

Président, Comité, Stock Exchange, London.—En mon nom au nom de mes collègues et du marché de Paris tout entier, je vous exprime la grande part que nous prenons au deuil cruel qui frappe votre grand pays. La perte de la

noble Reine que vous pleurez sera ressentie partout et en particulier en France, où Sa Majesté avait conquis toutes les sympathies.—*DE VERNEUIL, Syndic de la Compagnie des Agents de Change de Paris.*

John K. J. Hichens, Esq., Chairman Stock Exchange, London, England.—The members of the New York Stock Exchange lament the death of the Queen, and tender their profound sympathy.—*RUDOLPH KEPPLER, President.*

Committee, Stock Exchange, London.—Preghiamo gradire espressione nostro vivissimo cordoglio e simpatia per immane sciagura che ha colpito amico popolo Britannico.—*Sindico Borsa, PALLADINI. (Rome.)*

To these expressions of condolence and good-will suitable replies were sent from the Chairman of the House, conveying "most hearty thanks" for their "kind and sympathetic messages." Wall Street decided to close its doors on the Saturday after the Queen's death, and another message was sent thither in these terms :

President Stock Exchange, New York.

On behalf of the members of the Stock Exchange, I beg to express our sincere appreciation of the deep sympathy of your Exchange with the great grief of this Nation, expressed by your resolution to close on Saturday.

 (Signed) J. K. J. HICHENS,
 Chairman, Stock Exchange, London.

The external expression of mourning made by the Stock Exchange was graceful and dignified. Along the façade on the Threadneedle Street side a long line of purple stretched from one end of the House to the other, looped up at regular intervals with white medallions, from which depended heavy tassels,

also of white, the whole being lightened with miniature Royal Standards. Over the main entrance of the House in Throgmorton Street was placed a trophy of flags, the Union Jack and the Royal Standard, draped, supporting the crimson banneret, crape-crowned, bearing the golden monogram S.E.

Towards the end of the mournful month this message was sent to the new King through the Home Secretary :—

May it please your Majesty—We, the members of the Stock Exchange, desire respectfully to express our heartfelt sympathy with your Majesty and the Royal Family in the death of our beloved Queen, who by her courageous devotion to the arduous duties of her high office, and her unfailing sympathy with the joys and sorrows of her people, will ever live in the memory and affection of all her subjects.

We desire at the same time humbly to assure your Majesty of our unswerving loyalty and devotion to the Throne and of our earnest hope that your reign may be long and prosperous.

(Signed) J. K. J. HICHENS, *Chairman.*

COMMITTEE' ROOM, STOCK EXCHANGE,
28th January 1901.

His Majesty's gracious reply, signed by the Home Secretary, was in these words :—

I am commanded by the King to convey to the Committee and Members of the Stock Exchange His Majesty's thanks for their Loyal and Dutiful Message on His Accession to the Throne.

The Stock Exchange was again closed on the day of the Queen's funeral, in connection with which it suffered a touching personal loss. Mr. Thomas Fenn, one of the fathers of the House, was almost the same age as her late

Majesty, and her death had painfully affected him. He went to pay his last respects to her memory, viewing the funeral procession from a window in his club. Then, going home, he sat down in his arm-chair and quietly followed his Sovereign. Mr. Fenn had done yeoman service for the Stock Exchange, of which he had been a member fifty-six years. It was but a short time since Mr. Fenn had received a handsome presentation from his fellow-members in acknowledgment of his Clearing House and Committee work.

Only the preceding season the King had sat among the members of the Stock Exchange at their smoking concert in the Queen's Hall, gracing the gathering with his presence to its end, when he openly showed the pleasure which he had derived from the evening's entertainment. Now, one of the concerts was postponed in consequence of the Queen's death, and when it was subsequently given the programme was opened by a performance of Chopin's "Marche Funèbre," followed by Mendelssohn's "Beati Mortui." In conveying his "grateful thanks for the handsome sum" of £3025 subscribed to the Victoria Memorial Fund, the Lord Mayor referred to it as the latest proof of the traditional loyalty and devotion of the members of the Stock Exchange to the Throne.

CHAPTER XXII

AT THE TIME OF THE CENTENARY

Agitation against the Settlement Department—Too many mining contango days—The Chancellor of the Exchequer and the Stock Exchange—Registration of provincial unattached brokers—Member as Minister—About the waiters—The London and Globe crash—The Benevolent Fund and the Clerks' Provident Fund—The House and the Hospitals—A Stock Exchange ward, a Stock Exchange bed, and a Stock Exchange lifeboat—Scheme to reconstitute the Stock Exchange—Subscriptions and entrance fees raised—Increase in the number of members—The proprietary—Debenture issues—Dividends for the last quarter of the century—General prosperity of the House.

Hoots and hisses broke upon the harmony of the Stock Exchange in the middle of 1899. And the object of the angry demonstration was the Committee itself, and especially the Settlement Department, whose difficult task has frequently brought it within the range of members' criticism. In the latter part of 1898 the Clearing House had shown a good deal of enterprise in adding new shares to its lists whenever business was sufficient to justify the addition, thus earning the gratitude of members by facilitating settlement. With the gratitude

on this score there was a good deal of grumbling on others, although members themselves have frequently contributed as much to settlement delay as has any defect of the Department. Thus, early in May 1899, the Settlement Department issued an order to the effect that all members who sent in their lists after ten o'clock at night should be fined half-a-sovereign for each of such late lists. This was not what brought members up in arms, however. The cause of the anger was an order made in connection with the mid-June settlement, demanding that the lists in four active Kaffir shares and in four active Westralian shares, all duly specified, should be sent into the Department by six o'clock on Saturday evening, 10th June, instead of on the Monday, the mining contango day.

Some four or five years before, during the boom, the mining settlement had been made to extend over four days, instead of being confined as previously to the three days devoted to the settlement of securities other than mining shares. It had often been argued that as this four days' arrangement had been made merely to meet the exigencies of exceptionally busy times it should be discontinued. But now, in June, yet another day was to be added to the mining settlement; it was to extend over five days, even excluding the Sunday, three of which were to be mining contango days. The order of the Department was condemned on nearly all sides in unqualified terms. It was

described as a startling innovation, a dangerous experiment; the settlement was to mean un-settlement; it was said that the departure might easily lead to the ruin of some small men, and was particularly disadvantageous to option dealers. Brokers declared that it was impossible to tell until the Monday morning whether their clients desired to take up the shares or carry them over, and that the new regulation would hinder and harass business. The Settlement Department was made for members, not members for the Settlement Department, it was reminded. Members complained that they had not been consulted with regard to the innovation, and pointed out that even as it was they were heavily mulcted in fines and subscriptions for the support of the Department, and that they deserved something better of it than this obnoxious innovation. As a matter of fact, although it was not pointed out at the time, the third contango day was not without precedent. It had existed in the middle of the century. A rule then laid it down that "On each of the four days preceding the account, and on the account day, the Clerk of the House shall fix the making-up price of Consols, by taking the average price between half-past ten and two o'clock on each of such four days, but between half-past ten and a quarter before one o'clock on the account day." But this mid-century third contango day applied, it will be seen, only to Consols, not to other stocks. "In like manner," the rule concluded,

"the Clerk of the Foreign Market shall, at twelve o'clock on each of the two days preceding each Foreign settling, fix the making-up prices of all Foreign stocks by taking the then actual market price. They shall respectively make out the quotations of the same, and no making-up shall be binding unless at such fixed prices." But the existence of a third contango day in the middle of the century would have been little consolation to members at the end of the century even had they remembered it; and they were too deeply engaged in the vilification of the Committee to remember anything of the sort.

The case for the Settlement Department was that without the extra day it had no time to handle the lists and carry through all the complicated tracing. It was no use to talk of increasing the staff, because of the mechanical difficulty; the lists could not be divided, and it was impossible to put more men on them than were already employed. One suggestion was that the Settlement Department should be put on a business basis by handing it over to a company with a large capital. It will be remembered that the clearing had once been a private enterprise under the auspices of Mr. Humphrey. Make the capital a million sterling, said suggestion, the four thousand members of the Stock Exchange taking shares to the amount of £250 each; and then, if there were a dispute about shares, instead of the broker being kept out of his money over-night, the

Settlement Department could pay him out of the funds at its disposal, and carry on and complete the tracing process on the following day. The proposal was a drastic one, but its sponsors argued that some such plan was in vogue in all the great Continental centres.

But in any case there was never any likelihood of the proposal being accepted ; it seemed rather that the Committee would climb down—that the experiment of appointing a third contango day even in certain very active shares would not be repeated at another settlement. What was the consternation of members to find during the next account that the experiment was not only to be repeated, but extended. There were to be three contango days not only for the eight specified shares but for all mining shares. Lists were to be sent in on Saturday, 24th June, thus making the first mining contango day six days before the actual pay-day. The discontent, the agitation, burst forth afresh with redoubled vigour. Then it was that members of the Committee who showed themselves in the House were hooted and hissed. It was pointed out that in a fourteen-day account there were really only twelve days for business, and, of these, two were half-days, being Saturdays ; if, from these, five days for settling were deducted, there remained only six working days in the account. Moreover, above all things that the Mining Markets hated was a Saturday contango day ; the new arrangement might lead to the introduction of general Sunday work ;

in any case, with few exceptions, every other Saturday throughout the whole year would be taken up with the arrangement of the account in mines, and although the House would be closed as usual at half-past one—a rule had been passed to that effect in August 1898—this would be a mixed blessing, because of the rush of work at high pressure that it would entail. One member sarcastically suggested that while the Committee was allowing the Settlement Department to make these improvements it should decide that in future every Sunday should be a ticket day and that all Bank holidays should be account days. Another suggestion, less playful, was that a clean sweep should be made of the Committee at the next election, replacing the members with others who understood and sympathised with the requirements of the House. But nothing so drastic was necessary; the order of the Settlement Department was not of course permanent, it applied to one settlement only, and it was never renewed, although when the first mining contango day would fall on a Saturday it is now fixed for the Friday. The Committee, which had doubtless been endeavouring to act for the best, gave way before the storm of indignation, and thus was solved the vexed settlement question of June 1899. There have since been frequent appeals for the abolition of the second (mining) contango day, making one contango day all through the markets.

Meantime the Stock Exchange had been

affected by the Budget proposals of the Chancellor of the Exchequer. A tax was clapped upon foreign and colonial securities, or, speaking more particularly, such a tax, which had previously existed and had been withdrawn as impracticable, was reimposed. The objection of the Stock Exchange was not so much to the payment of the tax as to the complication it involved; indeed, for a long time members were at a loss to know what the proposals meant and what they did not mean. It was feared that the Stock Exchange would suffer far more than the revenue would benefit from the new impost. A petition against the proposals was prepared for presentation by the one House to the other, and was placed in the hands of Mr. Alexander Henderson, M.P., of the firm of Messrs. Greenwood & Co. It received very influential support, not only in the Stock Exchange itself, but on the part of several leading bankers and financiers. Courteous communications were exchanged between the Chancellor of the Exchequer and the Stock Exchange Committee—what a difference from the state of affairs which existed, as we have seen, in the days of the Walpoles!—and a basis of agreement was arranged upon certain points.

Another matter in the Budget proposals required modification and was the subject of petition to the Board of Inland Revenue by members of the Stock Exchange. It had been found that the new stamp law would press unfairly upon a large number of provincial brokers.

Hitherto, in the case of transactions entered into by a broker in London on account of a broker in the provinces, an unstamped contract for each bargain had been sent down, and the provincial broker had stamped his contract and charged the stamp to his client. Under the new law this was not permissible, both the contract between the two brokers and that between the provincial broker and his client having to be stamped unless the provincial broker were a member of a Stock Exchange. In many towns there is, of course, no Exchange, and the remedy suggested was that a duly authorised broker in the provinces should be exempt from the extra tax upon his being able to prove that he was qualified to act. Eventually, a notice was issued on behalf of the Government to the Stock Exchanges of the United Kingdom, which announced that: "In order to obviate the payment of two duties on one dealing of certain *bonâ-fide* provincial stockbrokers, the Board of Inland Revenue have arranged that there shall be kept at the Inland Revenue Office, Somerset House, a list of brokers who are not members of a Stock Exchange, and that those brokers whose names appear thereon shall be treated, for the purposes of the Finance Act, as if they were members of a Stock Exchange, and so bring the contract note sent to them by their agent on the London or other Stock Exchange in agency transactions as within the exemption from stamp duty granted by Section 52 of the Stamp Act, 1891." Thus

the solution of the difficulty was Government registration of unattached brokers.

A distinction was indirectly conferred upon the Stock Exchange after the General Election of 1900, in which many members were returned to Parliament, by the appointment to the Ministry of the Earl of Hardwicke, who received the post of Parliamentary Secretary for India. Exception was taken to the appointment on the ground that the young Earl was a member of the Stock Exchange—he is a partner in a well-known firm of brokers—and the point was debated with some warmth in the House of Lords, although Lord Hardwicke had stated that he would relinquish active participation in the business of his firm. Lord Salisbury and other members of the Government defended the Earl of Hardwicke's position, which Lord Rosebery attacked, and in the course of the speech which the Earl made in his own defence he remarked that a man can gain experience and a knowledge of men and matters on the Stock Exchange that is not easily obtainable elsewhere.

Notices were posted in the Stock Exchange on 22nd July 1899, regarding the minor matter of the holiday post. It was announced that there would be no delivery of letters in future when the House was closed. This conferred a distinct boon on the waiters, three of whom had to attend on all holidays in order to sort and deliver letters to any one who liked to apply for them. It had been decided that as the privilege was so little appreciated, except by

some of the big arbitrage firms, it was not worth while to continue the arrangement any longer. Another innovation of 1899 calculated to benefit the waiter to the extent of saving his voice was the electric call-board. Manipulated by the waiter, a bell drew the attention of members to the board, upon which appeared an electric-lit number indicating which of them was wanted outside the House. The ingenious contrivance, invented by the architect of the Stock Exchange, Mr. R. Langton Cole, has since been considerably extended, saving the ears of members as well as the voices of the waiters—whose vocal powers are always tested before they are appointed to the post.

Probably the ears of the members were the chief consideration, for at the time of the innovation the waiters were not at the zenith of their popularity. Some agitation was making itself heard against the heavy gratuities they had learnt to expect from new members and clerks for the formal service of showing these novices round the building. Jealous eyes were directed towards their position of comparative affluence, and in the midst of it a society journal declared that one waiter had a daughter at a most exclusive Brighton school and a son at Cambridge! As to gratuities which the waiters are constantly receiving from established members, the Committee has more than once issued a notice to the effect that personal gifts are forbidden and that gratuities should be paid into a general fund to be equally divided.

But on the whole the waiters are very popular and much respected servants. One of them, Fillingham, stood at the Capel Court door for forty years or more. Having attained the allotted span of life in March 1900, he left his post with a pension, which, if not quite equal to his salary of £100 a year—and the gratuities must not be forgotten—sufficed to keep him in quiet comfort. Quite an affecting little scene occurred in the Kitchen, as the waiters' room beneath the House is called. A subscription list had been circulated amongst the forty-five waiters of the Stock Exchange, and a handsome presentation clock was the result. Then a few days later Fillingham was summoned to the Consol Market where he received a cheque for a hundred guineas and a silver snuff-box duly inscribed, the presentation being made by a prominent dealer.

The origin of the term waiter is not quite clear; had the appellation been janitor, door-keeper, caller, attendant, or some such appropriate title, its reason would be obvious. Some authorities declare that the name descended from the coffee-house waiters at Jonathan's. Others declare that the strange name traces its origin only to the middle of the nineteenth century, when the attendants divided their time between the duties of the Stock Exchange and those attaching to the legitimate functions of the waiter in connection with the restaurant that occupied the room where bargains in Foreign Stocks and Americans are now checked.

When the Stock Exchange was opened at Capel Court, at the beginning of the century, only two or three doorkeepers were engaged. They used to stand outside the door and come inside to call any member who was wanted, the service of the speaking-tube not having been introduced.

Within two or three days of the end of the nineteenth century the Stock Exchange was shaken by the *Globe* group crash, which involved the failure of no fewer than thirty members. Sober financial critics had foreseen the inevitable collapse of the London and *Globe* Finance Corporation and its speculations, but with Mr. Whitaker Wright as its moving spirit and the great Marquis of Dufferin as its figure-head, the Corporation was generally considered to be in a fairly strong position and its subsidiary companies promising ventures. One of them, known as *Le Roi* No. 2, had been the subject of a rig for months; two or three failures were caused on the Stock Exchange, and the bears who had sold the shares had suffered severely—as in the case of the *Warner* and *Lady Hampton* companies many years before. At the time of the crash *Le Roi* No. 2 five-pound shares stood as high as 23. Friday, 28th December 1900, was another Black Friday. The crash was sudden; quite late in the day all credit in connection with the group of shares was found to have disappeared. Bank-notes were demanded in payment of transfers, and it ultimately leaked out that the cheques of the

London and Globe Finance Corporation had been returned dishonoured. People were incredulous, but as they became convinced the scene in the street was one of indescribable excitement. Roughly speaking, the market value of the shares of every company of the group was cut down by a half at one fell stroke. London and Globe shares fell from 14s. to 7s. 6d., Lake View shares from 13 to $7\frac{3}{4}$, British America Corporation from 13s. 3d. to 8s., Le Roi from $6\frac{1}{2}$ to $4\frac{1}{2}$, Standard Exploration from 7s. to 1s., Kootenay from 6 to 1, Rossland Great Western from 8 to $2\frac{1}{4}$, and Le Roi No. 2, the specially rigged, from 23 to 3.

On Saturday morning, when business should have been merriment, and members of the Stock Exchange should have been closing their books for the New Year's holiday, gaily wishing each other a happy New Century, the grimmest of scenes was enacted in the House. The very hand of Barker, the waiter, shook like an aspen leaf as amid death-like silence he announced failure after failure, and failure after failure. Early evening papers came flaring out with the sensational story of the failure of four firms on the Stock Exchange. But that was not half nor a third of the tale of the day. Ere the hammer had ceased thirteen Stock Exchange firms, involving no fewer than twenty-nine members of the House, had been declared defaulters, and subsequent failures increased the number. Some of the failed firms had been firms of eminence. One who was declared a

defaulter had been a member for nearly half a century, another for thirty-two years, another for twenty-seven years, and two others for twenty years. One had just been given command of a battalion of volunteers in South Africa where he was serving in the Boer war ; two others had been married within the two preceding weeks, one of them actually being on his honeymoon.

The rough reason at first given for the collapse was that loan money, with which the Corporation was supporting its shares and those of its group in the market, had been called in : that sufficed to give some inkling of the real reason, which was that the whole artificial fabric was based on finance-mongering of the worst description. Some of the failed members were able soon to get over the sudden shock which had brought them down, and to return to the Stock Exchange, having paid their creditors in full ; but at the time of writing the wreckage has not been quite cleared away even yet. Numerous complications and criticisms of the Stock Exchange arose out of the collapse. One suggestion was that accounts should be made payable, as in the case of some provincial Stock Exchanges, before eleven o'clock on the settlement pay-day, so that when default occurred members of the Stock Exchange would have time to turn round. The London and Globe Corporation did not admit default till late in the afternoon. One development affected the honour of the House itself. The London

and *Globe* group had been supporting the shares of two or three new companies of its own flotation by heavily buying them, and after the general collapse it could not pay for the shares it had purchased. The group owed the jobbers the money and the jobbers owed it to the brokers, to whom the sellers of the shares looked for the cash. Roughly speaking, therefore, members of the Stock Exchange were debtors in the matter to outside speculators. But the money was not payable in the case of the two or three concerns until the special settlements were fixed, and the Committee was urged by some not to fix the special settlements, in which case the money owing by the Stock Exchange to the public need never be paid at all. Although on certain formal grounds the Committee might be within its right in refusing to fix the settlement, such a proposition naturally raised an outcry even amongst the friends of the Stock Exchange. It seemed inconceivable, they said, that the Committee, whatever excuses might be put forward, would give the maligners of the institution the opportunity of saying that it protects its members against the outside public; that when transactions show a loss to insiders and a gain to outsiders, those transactions may be declared null and void. They urged that it was the honour of the House that was at stake, and the question of whether it was to retain the full confidence of the public or not. Eventually the settlements were fixed.

It is pleasant to turn from the subject to

take a final glance, as we near the end of this story of the Stock Exchange, at its Benevolent Fund, which is as old as the House itself, having been established at the same time, in 1801, although for a long time it was known as the Decayed Members' Fund or the Decayed Fund. Its primary objects were to afford relief by annuity or donation to distressed members and their families, with the condition that such members should have conducted themselves in an upright and honest manner. This provision was intended to be a stimulus to worthy conduct, and it is expressly declared that no person acting otherwise than uprightly and honestly can be permitted to derive any benefit from the Fund himself or transmit any allowable claim upon it to his family. In 1874, when it was three-quarters of a century old, the scope of the Fund was somewhat extended, it being decided that relief might be granted to immediate relatives who had been dependent on such members. The income of the Fund is derived mainly from collections by ten competing stewards in connection with the annual banquet. There is always keen rivalry among the ten stewards, as a body, to exceed the aggregate collection of any other ten stewards in the past; and not only so, but there is also most healthy anxiety on the part of each individual steward to excel his brethren. Income is also derived from regular yearly subscriptions, bequests, and sundry donations, these including the balances of defaulters' accounts, and such

adventitious items as differences on disputed bargains, proceeds of bets, coins found in the House, and so on.

The annual income of the Fund varies considerably, and reflects the nature of the year's business. For instance, the amount collected in 1894 was only £7894, whereas in the following year, the year of the Kaffir boom, the collection amounted to no less than £17,762. In 1876 the amount collected was £13,471, this including the remarkable item of an "anonymous donation of £10,000 per H. Doughty Browne." In 1890 the number of annuitants receiving relief was 170, and the amount distributed amongst them was £12,399; in the latest year, 1900, the number of annuitants was 211, whose ages ranged from sixteen to ninety-one, and the amount they received was £15,474. During the year 1900 the receipts of the Fund from all sources were £25,771, and the total disbursements amounted to £19,291. But for the year 1901 the sum collected by the dinner stewards alone was £21,603—an easy record, as becomes the centenary year. The value of the stocks and shares in which the moneys of the Fund are invested stands in the books at £235,160.

The other charitable fund in connection with the House is the Stock Exchange Clerks' Provident Fund, which is in its twenty-eighth year. Its income comprises subscriptions by members of the Fund, subscriptions by members of the Stock Exchange, and general

donations. Its total receipts in this way now amount to about £2000 a year. It makes grants in out-of-employment cases, in cases of death and of illness, and when there are any special calls. In the first full year of its existence, 1874, there were 183 members; there are now something like 1500. During the year 1900 the sum of £1778 was distributed. There is a doctor in connection with the Fund, at the service of members, who is very popular. He always uses the Stock Exchange term "below par" when referring to a patient's health. A large proportion of his cases are affections of the eyes and of the nervous system, but football and cycling accidents provide some.

But the Stock Exchange, with its House charities, never allowed charity to stay at home. There are always appeals to which it always most generously responds, quite apart from such special occasions as the Transvaal war. Take some recent examples of its hospital work. Having in 1897 raised a big subscription for St. Thomas's, at the beginning of 1898 it started another for the London Hospital, twelve leading firms of brokers and dealers undertaking the receipt of contributions; then in 1899 a Stock Exchange ward was opened in the Royal Eye Hospital, a Stock Exchange bed was endowed in the City Orthopædic Hospital, and a subscription successfully started for the Hospital for Diseases of the Throat—all within a few days in the month of June, just when the rush of the Sunday

school treats was making its annual demand on the silver of members. In the case of the Hospital for Diseases of the Throat in Golden Square, a hundred guineas was collected within the first hour the list was opened, and in the case of the City Orthopædic Hospital the Nondescript Players gave three performances of *Dorothy* at St. George's Hall towards the endowment of the Stock Exchange bed. The Stock Exchange ward in the Royal Eye Hospital resulted from the subscription of £4100 at a dinner, over which Mr. W. M. Chinnery, one of the principal dealers in the American Market, presided. This enabled the establishment of fourteen additional beds, and as members of the Stock Exchange had contributed so largely, it was resolved by the hospital authorities to name one of the two new wards, each containing seven beds, the Stock Exchange Ward. The ward was opened by Mr. J. K. J. Hichens, the Chairman of the Stock Exchange Committee, on 6th June 1899—Professor McHardy, the leading spirit of the hospital, remarking that it was the noble manner in which the Stock Exchange had contributed that enabled them to open all the beds in the institution, thus extending the in-patient accommodation, and helping to remove from South London the reproach that the beds in hospitals there were only one in five compared with those on the north side of the Thames.

Then the Home for Working Lads, known as the "Jersey" Home, in South Lambeth

Road, is supported almost entirely by members of the Stock Exchange, and many of the lads who are fortunate enough to gain admission are nominated by members. The Society, which has continued its successful efforts for eleven years, provides a home for about fifty friendless lads, finding them employment by which they contribute about a third of the cost of its maintenance, supplying them with healthful recreation of the highest order, and safeguarding them at that important period of life when they are passing from boyhood to early manhood. Mr. W. Vivian, of Messrs. Vivian, Gray, & Co., is president of the Society, and Mr. G. B. Beeman is a leading member of the committee of management. Again, the Stock Exchange is very largely represented on the committee of the London Orphan Asylum, and at the eighty-seventh annual festival in 1900 the Chairman of the Stock Exchange Committee, Mr. J. K. J. Hichens, presided.

Further, the Stock Exchange generally contributes most handsomely to special public charities, Mansion House Funds, and so on. Besides its heavy contributions to war charity, which have been fully dealt with, it contributed last year over £8000 to the Ottawa Fire Fund, and considerably more to the Indian Famine Fund. In this connection the following letter from Lord George Hamilton was posted in the Stock Exchange early in the year, being addressed to a well-known broker:—

INDIA OFFICE, 28th February.

DEAR MR. SCOTT—On behalf of the Government of India I must personally thank you for the munificent subscriptions you have, from the liberality of individual members of the Stock Exchange, been able to forward to the Famine Relief Fund. At a moment when the absorbing interest is the war in South Africa, and the demand it entails upon philanthropy and patriotism, the collection of £11,000 from the Stock Exchange alone is a splendid testimony to the benevolence of those there engaged and of their deep sympathy with the sufferings of their fellow-subjects in India. Such an expression of good-will and kindness cannot fail to be widely appreciated throughout India.—Believe me, yours truly,

GEORGE HAMILTON.

Members of the Stock Exchange take substantial interest in the lifeboat service, contributing regularly and lavishly. In the storms at the end of dark November 1897, the lifeboat called the *Stock Exchange*, stationed at Lowestoft, performed remarkable service. In a letter addressed by the Secretary of the National Lifeboat Institution to Sir Patteson Nickalls —whose title, by the way, had been conferred some short time previously, much to the delight of the House—the performances of this lifeboat were described. During the gale of 29th November in that year the boat was unmoored and held in readiness for immediate service at 7 A.M. At about 10 o'clock the schooner *Broughty Castle*, of Plymouth, was seen with a signal of distress flying. She had lost her canvas and was leaking badly. Some of the lifeboat men boarded the vessel, and with the aid of a steam tug she was taken into the harbour. At 11.40 the boat was again

required, and rescued two men from the ketch *Despatch*, of Hull, which had stranded while endeavouring to enter the harbour. They were landed at 12.15, and half-an-hour later the lifeboat was again called out, a third time. With the help of a tug the schooner *Spartan*, of Dundee, which had shown a signal for assistance, was taken safely into the harbour. No wonder the letter describing this feat-day of the good boat *Stock Exchange* was posted in the House itself on one of the notice-boards.

Early in 1901 a scheme was propounded which if it were adopted would revolutionise the constitution of the Stock Exchange. The reformer is Mr. H. H. Pain, who, besides being a member of old standing, has given constant attention to the subject, having introduced a scheme on a former occasion. Briefly, the scheme would multiply the capital of the Stock Exchange by ten or more, would make every member a shareholder, and would practically abolish the dual control by the Managers on the one hand and the Committee on the other. The Managers, nine in number, are, as it were, the directors of the Company owning the Stock Exchange, endeavouring, with great success, to make it pay its 1157 shareholders. The Committee, thirty in number, controls the Stock Exchange as an institution, governing the 7820 members and clerks. The Managers and the Committee are generally in accord, but not always, though their relations are ever friendly.

They have their mixed consultative committee, and every year they meet at a select social banquet ;—every Manager and Committee-man puts in an appearance at business on the morrow ; if by any chance he does not, he finds his absence compromisingly accounted for by junior jobbers and brokers.

But Mr. Pain's scheme would make the membership and proprietary of the Stock Exchange one. His idea is to form a new company ; to give the debenture-holders £450,000 of debentures exactly equivalent to their present holding ; and to pay off the holders of the present £240,000 worth of ordinary shares by giving them debentures and preference shares. Seeing that each of these shares, £12 paid, had received a dividend for the year preceding the propounding of Mr. Pain's scheme of £8 : 10s., it required a good many 3 per cent debentures and 4 per cent preference shares to satisfy them ; in fact, £3,000,000 of the former and £2,000,000 of the latter were proposed. Thus, before coming to the new ordinary shares to be distributed among the members to make each one a shareholder, the capital of the Stock Exchange would be raised from its present amount of £690,000 to £5,450,000. Directly the scheme was propounded there were signs that the shareholders would not be satisfied to receive even the £5,000,000 of new debentures and preference shares, with fixed interest and dividend, in exchange for their shares ; they pointed out

that the £5,000,000 was based on the existing rate of dividend, whereas, they contended, the rate was likely to rise. They were right, for whilst the scheme was based on a dividend of £8 : 10s. per share, the rate was raised immediately afterwards to £9 per share. But Mr. Pain was careful to point out that his proposals were merely made in outline, so that the figures could be modified to meet circumstances. As to the shares which each member would hold, Mr. Pain proposed five thousand of these of £100 each, the Managers to have power to increase their number as the augmentation in the number of members of the Stock Exchange goes on. Every existing member was to buy one share, and new applicants for future admission would have to obtain one from a retiring member, or from the Managers at such premium as they thought fit. A very interesting feature of the scheme is that the dividend on these shares would be limited to 6 per cent, surplus profits going to form a fund to provide an annuity for every member who retires. There are other features of the scheme, but these are the principal. The scheme would obviously impart a marketable value to Stock Exchange membership; although the dual control would still exist for purposes of administration, its inconvenient features would be abolished, because the electorate of the Managers and of the Committee would be the same; and the annuity arrangement would induce members no longer actively engaged in business to retire,

relieving the strain on the accommodation of the House and making way for new blood. The scheme has met with a good deal of support, petitions to the Managers and Committee in its favour being extensively signed. But at the time of writing little is heard of it.

Let us in conclusion make a brief survey of the marvellous prosperity of the Stock Exchange constituted as it is—its marvellous prosperity as a financial undertaking. It is a sign of this prosperity that, beginning with the year 1899-1900, it was possible to raise the subscription for membership without in any way diminishing the increase in the number of members,—many members wish it had had that effect. For a long time the impending change had been rumoured, and on 5th January 1899 the Managers announced that the subscription for new members—those joining after 25th March 1899—would be increased by 10 guineas, to 40 guineas a year. In the following year, on Lady Day 1900, the subscription for membership of those clerks who became members after four years' apprenticeship in the House was raised to 40 guineas, and on Lady Day 1901 the entrance fee of such clerks was raised from 150 to 250 guineas. The entrance fee for members who do not serve a clerkly apprenticeship is 500 guineas, and they have to find three sureties, whereas clerks find two only.

As to the recent increase in the membership, it is found, if we go back seven or eight years,

that the number in March 1893 was 3377, and in the following year it was augmented by 38. In the year 1894-95 the membership was increased by only half-a-dozen; but in the boom year of 1895-96 there was an addition of 239 members. In the following year the rate of increase showed some reduction, being 198, and in 1897-98 the addition was only 104; but in 1898-99, owing to the rush to forestall the increased subscriptions, there was an accession of 265 new members, bringing up the total membership to 4227, exclusive of clerks, whose number was 2771. In the year ended Lady Day 1900 there was even a bigger augmentation of the membership—a much bigger, the addition amounting to no fewer than 467 new members. Of these 379 were clerks who had served the necessary four years' apprenticeship in the House. In the preceding seven years the accession of clerks to membership had not averaged many more than a hundred a year, and this sudden augmentation in the year 1899-1900 was due to the rush to forestall the increase in the subscription to 40 guineas, which applied to those becoming members after Lady Day 1900. In the year ended March 1901 over 350 members were added to the Stock Exchange. The total population of the Stock Exchange—it may be remarked that every member has to be elected every year—is now 7820, consisting of 4673 members proper and 3147 clerks.

In this connection it is of interest to note that the last published list of members of the



A SCENE IN THE HOUSE.

From a drawing by Dudley Hardy.

18160
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Stock Exchange, for the year 1900-1901, shows that the members who were admitted before 1860 and who are still members are nearly a hundred. At their head stands Mr. William Baines, the Father of the House. A well-known jobber in the Railway Market, he became a member as long ago as 1836. Mr. Benjamin E. Kennedy also became a member in the same year. Of others who could claim long membership in days gone by, Mr. Atkin, in his *House Scraps*, published in 1887, says: "One of the oldest members still in the House was in the French army when Napoleon I. was retreating from Moscow"; and also that "Sir Robert Carden, Bart., M.P., has been in the House for seventy years and is still hale and hearty." Sir Robert Carden was, of course, at one time Lord Mayor of London.

The number of proprietors of the Stock Exchange is now 1157, having increased from 268 in 1876 when the new Deed of Settlement came into force. They hold the capital of the undertaking, which is £240,000, in 20,000 shares, upon which £12 has been paid. Only members of the Stock Exchange may hold the shares, except in the case of those proprietors who acquired them before the end of 1875, whose executors or legatees may hold them although not members. In all other cases the shares must be transferred to a member within twelve months of the proprietor ceasing to be a member. No proprietor may hold more than 200 of the shares. The liability upon the

shares is unlimited, but no call may exceed £2 per share, nor can more than one call be made in any period of twelve months.

Just at the end of the century these proprietors made a couple of 3 per cent debenture issues. A prospectus was circulated in May 1899 showing that of the three-quarters of a million sterling which the Managers had been authorised to borrow three years previously, the third part was now required to convert some of the existing $3\frac{1}{2}$ per cent debentures; £197,700 was applied to the conversion and £52,300 was offered for subscription at par. The debentures offered were made redeemable at par at the option of the Trustees and Managers at any time after 1st January 1919, and the whole issue is to be paid off by 1939. Drawings will take place after the lapse of twenty years, at the discretion of the functionaries aforesaid. "The debentures are secured upon the undertaking called 'the Stock Exchange'"—so ran the prospectus—"but convey no right of mortgage." The issue was readily subscribed, as was the next one, made just a year afterwards, in June 1900. The amount then offered was £200,000, the issue price being reduced to 95. The list was closed early, when subscriptions amounted to £317,000, and applicants received about 65 per cent of their applications.

The dividends upon the shares tell a tale of steadily, rapidly increasing prosperity, more marked than ever just at the time of the

centenary. The dividends paid for the first three-quarters of the past century and the changes in the denomination of the shares have been traced in previous chapters. The announcements are made and the accounts presented only to the proprietors, but the figures often leak out. In 1876, the first year of the last quarter of the century, there was a call of £25, and the dividend was £110 on the old shares, or £11 on the new; in 1877 there was a similar call, and the dividend was £105 on the old shares, or ten guineas on the new. By the year ended in March 1881, the dividend on the shares, £58:10s. paid, had become £19:10s., and in the following year, with the shares regarded as £12 paid, the dividend was £3:18s. The round £4 was attained in the following year ended 1883, and this was again paid in 1885 and 1886, after £4:7:6 had been paid in 1884. In 1887 a dividend of £4:15s. was paid; in 1888, £5; and in 1889, £5:7:6. Then, after a dividend of £6:10s. in 1890 and 1891, the distribution for the next four years, to 1895, was £6. For the three following years the handsome figure of £7:10s. was paid, which brings us to 1899, in which the distribution was no less than £8 on each £12 share, or at the rate of 66 $\frac{2}{3}$ per cent. For the year 1899-1900 the dividend was again increased—to £8:10s. per share. And for 1900-1901, the last full year before the centenary, the rate of distribution, fittingly enough, reached the record of £9, or no less than 75 per cent.

The amount carried forward into the current year was £72,884, an increase of £18,793 over the preceding year, and in itself equal to a further dividend of nearly £3:13s. a share. It is not surprising that the shares of the Stock Exchange, £12 paid, have recently been rising in value rapidly, so that they are quoted at about 230. The last report for the year ended March 1901 showed that the total receipts amounted to £335,757, against £274,366 in the preceding year; the expenses were £119,964, against £105,663; and the revenue account showed a credit balance of £215,792, against £168,703 in the year 1899-1900. The balance carried into the year was £54,091, and the amount carried into the current year was £72,884, after paying the 75 per cent dividend and adding £17,000 to reserve, which now amounts to £122,868, or more than half the total share capital of the institution.

With these indications of prosperity let this story of the Stock Exchange end. May it live happily ever after. The conditions of the broker's life at the beginning of the twentieth century are not what they were when he first appeared at the end of the seventeenth, from which time his remarkable development has been traced in these pages. These conditions are not what they were even twenty years ago. There is rapidity and rush now, and wear and tear, and business must be sought, and because of the vast growth in its extent must be minutely specialised; business is

dangerous too, and the rapid growth of the one-pound share and of the small investor has altered its whole tone. Still prosperity reigns, and the House is held in honour and esteem. The absolute trust and credit, the high code of business law which exist within the walls of the Stock Exchange, are unequalled elsewhere in the spheres of commerce, and strike the mind of him who realises them with wonder. The vast wealth of the Stock Exchange is ever being indicated in the noblest way—in the cause of charity. The methods of the Stock Exchange have withstood the test of time and have contributed materially to the establishment of our country foremost in the world's finance.

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